CLIFFS NATURAL RESOURCES INC.
Form PRE 14A
May 23, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A

(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. ___)

Filed by the Registrant x Filed by a Party other than the Registrant o

Check the appropriate box:

x Preliminary Proxy Statement
o Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

CLIFFS NATURAL RESOURCES INC.
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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o (1) Amount Previously Paid:
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In accordance with Rule 14a-6(d) under Regulation 14A of the Securities Exchange Act of 1934, please be advised that Cliffs Natural Resources Inc. intends to release definitive copies of the proxy statement to security holders on or about ________, 2014.

__________, 2014

Dear Shareholder,

We are pleased to invite you to attend the 2014 Annual Meeting of Shareholders of Cliffs Natural Resources Inc. The following 2014 Notice of Annual Meeting of Shareholders and Proxy Statement will serve as your guide to the business that will be conducted at the meeting. You can find financial and other information about Cliffs in the accompanying Annual Report for the fiscal year ended December 31, 2013. These and other materials are also available on Cliffs’ investor relations website, http://ir.cliffsnaturalresources.com.

The Board of Directors recommends the approval of the proposals being presented by the Board of Directors at the 2014 Annual Meeting of Shareholders as being in the best interest of Cliffs and its shareholders. We urge you to read the Proxy Statement and give these proposals your careful attention.

The Board of Directors has nominated a slate of nine directors for the available 11 seats at the 2014 Annual Meeting of Shareholders and is soliciting proxies for only the nine nominees named herein.

You should know that Casablanca Capital LP, a Delaware limited partnership (together with its affiliates, “Casablanca”), has stated that it intends to nominate a slate of six nominees for election as directors at the 2014 Annual Meeting of Shareholders in opposition to the nine nominees recommended by the Board of Directors.

The Board of Directors does not endorse the election of any of Casablanca’s nominees and strongly urges you to vote FOR ALL of the nine nominees recommended by the Board of Directors. You may receive solicitation materials from Casablanca or certain entities or individuals affiliated with Casablanca, including a proxy statement and a _________ proxy card. We believe that Casablanca's director nominations are intended to pressure Cliffs to adopt Casablanca's previously proposed strategic plans, which the Board does not believe are in the best interests of Cliffs' shareholders. We believe that the nine nominees proposed by the Board are better equipped to serve Cliffs and all of its shareholders than the Casablanca nominees.

Because the Board of Directors has nominated a slate of nine directors for the available 11 seats at the 2014 Annual Meeting of Shareholders, we expect that two nominees that were not nominated by the Board of Directors will be elected at the 2014 Annual Meeting of Shareholders. At this time, Casablanca is the only shareholder that has notified Cliffs of its intention to nominate directors for election at the 2014 Annual Meeting of Shareholders. Therefore, the Board of Directors expects that the remaining two board seats will be filled by two of the Casablanca nominees. Even if you vote FOR ALL of our nine Director nominees on the WHITE proxy card, we expect that at least two nominees that are nominated by Casablanca and/or another shareholder will be elected as directors at the 2014 Annual Meeting of Shareholders. The Board of Directors strongly urges you to vote FOR ALL of the nine nominees recommended by the Board of Directors. If cumulative voting is in effect with respect to the election of directors, which we currently anticipate will be the case, the named proxies intend to cumulate the votes represented by the proxies they receive and distribute such votes in accordance with their best judgment in order to elect as many of the nominees of the Board of Directors as possible.

Your vote is important regardless of the number of shares you own. The Board of Directors unanimously recommends that you vote FOR ALL of our nine Director nominees on the WHITE proxy card. I urge you to vote as soon as possible by telephone, by Internet or by signing, dating, marking and returning the enclosed WHITE proxy card by mail, even if you plan to attend the 2014 Annual Meeting of Shareholders.

The Board of Directors strongly urges you not to sign or return any _________ proxy card sent to you by or on behalf of Casablanca. If you previously have submitted a _________ proxy card sent to you by Casablanca, you can revoke that proxy by using the enclosed WHITE proxy card to vote your shares today by telephone, by Internet or by signing, dating, marking and returning the enclosed WHITE proxy card. Only your latest-dated proxy will count.

In accordance with Rule 14a-6(d) under Regulation 14A of the Securities Exchange Act of 1934, please be advised that Cliffs Natural Resources Inc. intends to release definitive copies of the proxy statement to security holders on or about ________, 2014.

We look forward to seeing you at the 2014 Annual Meeting of Shareholders. Thank you for being a shareholder and for the trust you have in our Company.

Sincerely,

Gary B. Halverson
President
and Chief Executive Officer

Notice of Annual Meeting of Shareholders

To Be Held On July 29, 2014
11:30 a.m. Cleveland time
North Point, 901 Lakeside Avenue, Cleveland Ohio 44114

The 2014 Annual Meeting of Shareholders of Cliffs Natural Resources Inc., or Cliffs, will be held at North Point, 901 Lakeside Avenue, Cleveland, Ohio 44114 at 11:30 a.m. EDT on Tuesday, July 29, 2014 for the purposes of considering and acting upon:

(1) The election of 11 directors to act until the next Annual Meeting of Shareholders or until their respective successors are duly elected and qualified;
(2) The approval of the 2014 Nonemployee Directors' Compensation Plan;
(3) The approval, on an advisory basis, of our named executive officers' compensation;
(4) The approval of the Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan;
(5) The ratification of the appointment of Deloitte & Touche LLP as Cliffs' independent registered public accounting firm to serve for the 2014 fiscal year; and
(6) Any other matters that may properly come before such meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on June 2, 2014 as the record date for determining the shareholders entitled to notice of, and to vote at, the 2014 Annual Meeting of Shareholders or any adjournments thereof.

If you are a holder of our common shares or of our depositary shares, each of which represents 1/40th of a share of our 7.00% Series A mandatory convertible preferred stock, Class A, a WHITE proxy card is enclosed. Please vote your proxy promptly by Internet, telephone or mail as directed on the enclosed WHITE proxy card in order that your shares may be voted at the 2014 Annual Meeting of Shareholders.

The Board of Directors has nominated a slate of nine directors for the available 11 seats at the 2014 Annual Meeting of Shareholders and is soliciting proxies for only the nine nominees named herein.

You should know that Casablanca Capital LP, a Delaware limited partnership (together with its affiliates, "Casablanca"), has stated that it intends to nominate a slate of six nominees for election as directors at the 2014 Annual Meeting of Shareholders in opposition to the nine nominees recommended by the Board of Directors.

The Board of Directors does not endorse the election of any of Casablanca's nominees and strongly urges you to vote FOR ALL of the nine nominees recommended by the Board of Directors. You may receive solicitation materials from Casablanca or certain entities or individuals affiliated with Casablanca, including a proxy statement and a _________ proxy card. We believe that Casablanca's director nominations are intended to pressure Cliffs to adopt Casablanca's previously proposed strategic plans, which the Board of Directors does not believe are in the best interests of Cliffs' shareholders. We believe that the nine nominees proposed by the Board of Directors are better equipped to serve Cliffs and all of its shareholders than the Casablanca nominees.

Because the Board of Directors has nominated a slate of nine directors for the available 11 seats at the 2014 Annual Meeting of Shareholders, we expect that two nominees that were not nominated by the Board of Directors will be elected at the 2014 Annual Meeting of Shareholders. At this time, Casablanca is the only shareholder that has notified Cliffs of its intention to nominate directors for election at the 2014 Annual Meeting of Shareholders. Therefore, the Board of Directors expects that the remaining two board seats will be filled by two of the Casablanca nominees. Even if you vote FOR ALL of our nine Director nominees on the WHITE proxy card, we expect that at least two nominees that are nominated by Casablanca and/or another shareholder will be elected as directors at the 2014 Annual Meeting of Shareholders. If cumulative voting is in effect with respect to the election of directors, which we currently anticipate will be the case, the named proxies intend to cumulate the votes represented by the proxies they receive and distribute such votes in accordance with their best judgment in order to elect as many of the nominees of the Board of Directors as possible.

Your vote is important regardless of the number of shares you own. The Board of Directors unanimously recommends that you vote FOR ALL of our nine director nominees on the WHITE proxy card. I urge you to vote as soon as possible by telephone, by Internet or by signing, dating, marking and returning the enclosed WHITE proxy card by mail, even if you plan to attend the meeting.

The Board of Directors strongly urges you not to sign or return any _________ proxy card sent to you by or on behalf of Casablanca. If you have previously submitted a _________ proxy card sent to you by Casablanca, you can revoke that proxy by using the enclosed WHITE proxy card to vote your shares today by telephone, by Internet or by signing, dating, marking and returning the enclosed WHITE proxy card. Only your latest-dated proxy will count.

___________, 2014

Very truly yours,

James D. Graham
Vice President, Chief Legal Officer & Secretary

YOUR VOTE IS IMPORTANT. YOU CAN VOTE BY TELEPHONE, BY INTERNET,
BY MAILING THE ENCLOSED WHITE PROXY CARD OR BY BALLOT IN PERSON AT THE MEETING.

The proxy statement and Cliffs' 2013 Annual Report for the 2013 fiscal year are available at www.viewproxymaterials.com/cliffs.

These materials also are available on Cliffs' Investor Relations website at http://ir.cliffsnaturalresources.com under "Financial Information," then "Proxy Materials." If your shares are not registered in your own name, please follow the voting instructions from your bank, broker, trustee, nominee or other shareholder of record to vote your shares and, if you would like to attend the 2014 Annual Meeting, please bring evidence of your share ownership with you. You should be able to obtain evidence of your share ownership from the bank, broker, trustee, nominee or other shareholder of record that holds the shares on your behalf.

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PROXY SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting. Page references are supplied to help you find further information.

Annual Meeting of Shareholders (pages 4, 14)

Time and Date:	Tuesday, July 29, 2014 at 11:30 a.m. EDT
Place:	North Point, 901 Lakeside Avenue, Cleveland, Ohio 44114
Record Date:	June 2, 2014
Voting:	Shareholders of record are entitled to vote by Internet at www.firstcoastresults.com/cliffs; telephone at 800-223-9572; completing and returning the enclosed WHITE proxy card by mail; or attending the 2014 Annual Meeting in person (beneficial holders must obtain a legal proxy from their broker, banker, trustee, nominee or other shareholder of record granting the right to vote).

Voting Matters (page 12)

	Board Vote Recommendation	Page Reference (for more detail)
Election of Directors	FOR ALL Director Nominees	22
Approve the 2014 Nonemployee Directors' Compensation Plan	FOR	30
Approve, on an Advisory Basis, our Named Executive Officers' Compensation	FOR	70
Approve the Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan	FOR	71
Ratification of Independent Registered Public Accounting Firm	FOR	79

Say-on-Pay Implications (page 38)

Because Cliffs did not receive extremely strong support in 2013 for its executive compensation programs (with only 66.3 percent of votes cast approving our advisory vote in May 2013), which was in sharp contrast to the strong support received in prior years, we engaged in shareholder outreach with two of our largest shareholders who had voted against our Say-on-Pay proposal in 2013. A key takeaway from the dialogue was that our poor share price performance was a significant contributing factor to the shareholders' decisions to vote "against" Say-on-Pay in 2013. In addition, in early 2014, we reached out to our top 25 shareholders and spoke with a number of them, representing ownership of over 15 percent of our common shares outstanding. The input we received was shared with the Compensation and Organization Committee, which we refer to as our Compensation Committee, and considered when conducting its review of executive pay programs.

Although the low Say-on-Pay vote result in 2013 was due mainly to poor share price performance, in September 2013, the Compensation Committee implemented the following corporate governance enhancements to the executive compensation program because of its ongoing efforts to ensure a strong alignment between executive compensation, shareholder return and Company performance:

- The vesting of all future equity grants beginning in late 2013 is subject to "double-trigger" change in control equity acceleration, rather than "single-trigger" acceleration (in other words, double-trigger provides that, generally, equity is accelerated only following a qualifying termination of employment associated with a change in control or a failure to assume, continue or replace the awards in connection with the change in control); and
- We increased the required share ownership multiple of base salary from 4.5x to 6x for the CEO and COO under our Share Ownership Guidelines. We also increased the required share ownership multiple of base salary from 2.5x to 3x for senior and executive vice presidents under these same guidelines.

2013 Business Results (page 38)

Cliffs' 2013 full-year consolidated revenues were $5.7 billion, a three percent decrease from 2012. Full-year cost of goods sold decreased year over year three percent to $4.5 billion. We paid down approximately $1 billion in long-term debt, primarily through the proceeds raised from an equity offering, cash from operations and proceeds collected from equipment loan financing. For the full year, we generated $1.1 billion in cash flow from operations and ended the year

with $336 million of cash and cash equivalents on our balance sheet.

Director Nominees recommended by the Cliffs Board (page 25)

Name	Age	Director since	Experience/Qualification	Independent Yes	Independent No	Committee Memberships (1)	Other Company Boards
Gary B. Halverson	56	2013	President & CEO, Cliffs Natural Resources Inc.		X	• None	
Barry J. Eldridge	68	2005	Former Managing Director and CEO, Portman Limited	X		• S&S* • Comp	• Sundance Resources Ltd.
Mark E. Gaumond	63	2013	Former Senior Vice Chair - Americas, Ernst & Young LLP	X		• Audit • Comp	• Booz Allen Hamilton • Rayonier, Inc.
Susan M. Green	54	2007	Former Deputy General Counsel, U.S. Congressional Office of Compliance	X		• Audit • GNC	
Janice K. Henry	63	2009	Former SVP & CFO, Martin Marietta Materials, Inc.	X		• Audit* • Comp	• W.R. Grace & Co.
Stephen M. Johnson	62	2013	Former Chairman, President & CEO of McDermott International, Inc.	X		• Audit • GNC	
James F. Kirsch	56	2010	Chairman, Cliffs Natural Resources Inc. and Former President & CEO, Ferro Corporation	X (2)		• None	
Richard K. Riederer	70	2002	CEO, RKR Asset Management	X		• GNC* • S&S	• First American Funds
Timothy W. Sullivan	60	2013	Chairman & CEO, Gardner Denver Inc.	X		• Comp* • S&S	• Aurora HealthCare Inc. • Northwestern Mutual Life Insurance Company

* denotes committee chair

(1) Full committee names are as follows: Audit - Audit Committee; Comp - Compensation and Organization Committee; GNC - Governance and Nominating Committee; S&S - Strategy and Sustainability Committee.

(2) Mr. Kirsch was elected as Cliffs' non-executive Chairman in July 2013. Mr. Kirsch became interim executive Chairman of the Board in January 2014. On May 23, 2014, Mr. Kirsch once again became Cliffs' non-executive Chairman.

The Board of Directors, which we refer to as our Board or the Cliffs Board, does not currently intend to nominate Susan M. Cunningham or Andrés R. Gluski for re-election as a director of Cliffs at the 2014 Annual Meeting of Shareholders (or 2014 Annual Meeting), and does not currently intend to nominate replacement candidates. The Board of Directors has nominated a slate of nine directors for the available 11 seats at the 2014 Annual Meeting and is soliciting proxies for only the nine nominees named herein. Please refer to the section below captioned "Election of Directors" for additional information.

Compensation Discussion and Analysis (page 37)

Impact of Company Performance on 2013 Compensation and Key Practices and Policies (page 38)

The following actions or practices demonstrate in practice our 2013 compensation objective of aligning our incentive plan outcomes with actual business and share price results over the short and long term:

•

Executive Management Incentive Plan, or EMPI Plan, paid out based on performance and in accordance with its terms at 102.2 percent of target for 2013.

- Performance shares for the 2011 - 2013 performance period did not pay out.
- An incentive compensation clawback policy applicable to our executive officers was adopted by the Board in November 2012.
- Suspension of the performance-based contribution under the 401(k) Savings Plan, which began in fiscal year 2012, continued in 2013.
- Suspension of an additional individual EMPI opportunity, which was equal to 10 percent of an individual's target EMPI opportunity. A similar program also was canceled for all salaried employees.
- Elimination of tax gross-ups on change in control payments related to excise taxes and cash paid in lieu of health and welfare benefits effective January 2012.

- Elimination of all industry service credits related to the supplemental retirement plan benefit for all future hires effective April 2012.
- Maintenance of a long-standing insider trading policy that prohibits executive officers from profiting from short- and long-term speculative swings in the value of our shares, including but not limited to short sales, put and call options, and hedging transactions.
- Maintenance of an insider trading policy that also prohibits any officer or director pledging Cliffs' securities.
- Retention of an independent compensation consultant to advise the Compensation Committee and keep it apprised of evolving market practices.
- Maintenance of Share Ownership Guidelines that require our officers and directors to own a certain dollar amount of our common shares.
- Held annual Say-on-Pay vote.
- Offering of minimal non-compensatory perquisites and benefits for our executive officers.
- Conduct annual compensation-related risk review.

2013 Executive Compensation Summary (page 55)

The numbers in the following table showing 2013 compensation of our named executive officers were determined in the same manner as the numbers in the corresponding columns in the 2013 Summary Compensation Table (provided later in this proxy statement); however, they do not include information regarding changes in pension value and non-qualified deferred compensation earnings and information regarding all other compensation, each as required to be presented in the Summary Compensation Table under the rules of the Securities and Exchange Commission, or SEC (this table should not be viewed as a substitute for the 2013 Summary Compensation Table):

Name	Principal Position	Salary ($)	Bonus ($)	Stock Awards ($)	Non-Equity Incentive Plan Compensation ($)	Total* ($)
Gary B. Halverson	President & CEO	118,750	600,000	1,648,350	139,162	2,506,262
Terrance M. Paradie	Executive Vice President & Chief Financial Officer	415,000	—	432,452	269,808	1,117,260
P. Kelly Tompkins	Executive Vice President, External Affairs & President, Global Commercial	484,125	—	1,091,597	364,241	1,939,963
Donald J. Gallagher	Former Executive Vice President & President, Global Commercial	559,350	—	726,482	470,120	1,755,952
Colin Williams	Senior Vice President, Asia Pacific Iron Ore	449,924	—	410,573	325,512	1,186,009
William Hart	Former Senior Vice President & Chief Strategy and Marketing Officer	430,320	—	262,180	311,660	1,004,160
Joseph A. Carrabba	Former Chairman, President & CEO	937,500	—	2,625,102	—	3,562,602
Laurie Brlas	Former Executive Vice President & President, Global Operations	355,917	—	783,376	—	1,139,293

* The amounts for Messrs. Halverson and Carrabba and Ms. Brlas reflect their actual length of service during 2013; however, this table does not include severance-related payments.

Auditors (page 78)

As a matter of good corporate governance, we are asking our shareholders to ratify the selection of Deloitte & Touche LLP as our independent auditor for 2014.

PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

1. What proposals are to be presented at the meeting?

The purpose of the meeting is to: (1) elect 11 directors; (2) consider the proposal to approve the 2014 Nonemployee Directors' Compensation Plan; (3) consider the proposal to approve, on an advisory basis, Cliffs' named executive officers' compensation; (4) consider the proposal to approve the Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan; (5) consider the proposal to ratify the appointment of Deloitte & Touche LLP as Cliffs' independent registered public accounting firm to serve for the 2014 fiscal year; and (6) conduct such other business as may properly come before the meeting.

2. Why is the Board of Directors nominating a slate of nine directors for the available 11 seats at the 2014 Annual Meeting?

The Board has nominated a slate of nine directors for the available 11 seats at the 2014 Annual Meeting and is soliciting proxies for only the nine nominees named herein. If cumulative voting rights are in effect for the election of directors, allocating 11 votes among the nine director nominees named herein will ensure that the maximum number of such nominees are elected at the 2014 Annual Meeting.

Based on its discussions with various shareholders and the practical effect of cumulative voting on the election of directors, the Board of Directors currently believes that it is in the best interest of all Cliffs shareholders for the Board of Directors to nominate a slate of nine directors. The Cliffs Board does not currently intend to nominate Susan M. Cunningham or Andrés R. Gluski for re-election as a director of Cliffs at the 2014 Annual Meeting, and does not currently intend to nominate replacement candidates. Because the Board of Directors has nominated a slate of nine directors for the available 11 seats at the 2014 Annual Meeting of Shareholders, we expect that two nominees that were not nominated by Cliffs will be elected at the 2014 Annual Meeting. At this time, Casablanca Capital LP, a Delaware limited partnership (together with its affiliates, "Casablanca"), is the only shareholder that has notified Cliffs of its intention to nominate directors for election at the 2014 Annual Meeting. Therefore, the Board of Directors expects that the remaining two board seats will be filled by two of the Casablanca nominees. Please refer to the section below captioned "Election of Directors" for additional information.

3. Who is soliciting my vote?

In this proxy statement, the Board of Directors of Cliffs is soliciting your vote for matters being submitted for shareholder approval at the 2014 Annual Meeting. Giving us your proxy means that you authorize the proxy holders identified on the WHITE proxy card to vote your shares at the meeting in the manner you direct. You may vote for all, some or none of our director nominees. You also may abstain from voting. If you sign and return the enclosed WHITE proxy card but do not specify how your shares are to be voted, your shares will be voted in accordance with the recommendation of the Cliffs Board, including in favor of Cliffs' nominees for election to the Board. If any other matters are properly presented at the 2014 Annual Meeting for consideration, the persons named as proxies in the enclosed WHITE proxy card will vote as recommended by the Cliffs Board or, if no recommendation is given, in their own discretion.

4. How does the Cliffs Board recommend that I vote?

The Cliffs Board of Directors unanimously recommends that you vote using the WHITE proxy card:

- FOR ALL of the nine individuals nominated by the Cliffs Board for election as directors. The Cliffs Board unanimously recommends that you NOT vote for any members of the Casablanca slate of nominees;
- FOR the approval of the 2014 Nonemployee Directors' Compensation Plan;
- FOR the approval, on an advisory basis, of Cliffs' named executive officers' compensation;
- FOR the approval of the Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan; and
- FOR the ratification of the appointment of Deloitte & Touche LLP as Cliffs' independent registered public accounting firm to serve for the 2014 fiscal year.

5. What are the possible effects if all six of Casablanca's nominees are elected to the Cliffs Board of Directors?

Pursuant to the indenture governing Cliffs' outstanding senior notes, Cliffs is required to offer to repurchase its outstanding notes if it experiences a "change of control" and corresponding ratings downgrade. Under the indenture governing Cliffs' outstanding senior notes, a "change of control" occurs on the first day on which a majority of the

members of Cliffs Board of Directors are not “continuing directors.” A “continuing director” is a member of Cliffs Board of Directors who (a) was a member of Cliffs Board of Directors on the date of the issuance of the notes, or (b) was nominated for election, elected or appointed to Cliffs Board of Directors with the approval of a majority of the “continuing directors”

who were members of Cliffs Board of Directors at the time of such nomination, election or appointment (either by a specific vote or by approval of a proxy statement in which such member was named as a nominee for election as a director). Pursuant to the indenture governing Cliffs' outstanding senior notes, the corresponding ratings downgrade will only occur if each rating agency making the reduction in rating publicly announces (or confirms or informs the trustee of the notes at Cliffs' request) that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the "change of control."

Under the terms of the Participant Long-Term Incentive Grant Agreements entered into prior to September 2013, Cliffs' award recipients are entitled to certain benefits upon the occurrence of a "change in control," regardless of whether the employment of the award recipient is terminated. Effective September 2013 upon a "change in control," all future equity granted to participants will be subject to potential assumption, replacement or continuation of the award in certain circumstances in lieu of immediately vesting and payout (or immediate vesting and payout if such assumed, replaced or continued awards are not provided). For this purpose, a "change in control" generally occurs if a majority of members of the Cliffs Board of Directors is replaced by directors whose appointment or election is not endorsed by a majority of the Cliffs Board of Directors prior to the date of the appointment or election. Please refer to the section below captioned "Potential Payments Upon Termination or Change in Control-Additional Payments Upon Change in Control (Without Termination)" for additional information regarding this impact on Cliffs' named executive officers (or NEOs).

6. What is the difference between a "shareholder of record" and a "beneficial owner"?

These terms describe the manner in which your shares are held. If your shares are registered directly in your name through Wells Fargo Shareowner Services, our transfer agent, you are a "shareholder of record" or registered holder. If your shares are held through a bank, broker, nominee or other shareholder of record, you are considered the "beneficial owner" of those shares.

7. What information will be sent to shareholders?

This proxy statement, the accompanying WHITE proxy card and our 2013 Annual Report will be mailed on or about _________, 2014 to our shareholders of record as of June 2, 2014, which we refer to as the Record Date.

8. Who is entitled to vote at the meeting?

The Record Date for this meeting is June 2, 2014. On that date, we had outstanding __________ common shares, $0.125 par value, and ____________ shares of our 7.00% Series A mandatory convertible preferred stock, Class A, no par value, which we refer to as our mandatory convertible preferred stock, which are represented by ________________ depositary shares (each of which represents 1/40th of a share of our mandatory convertible preferred stock). All common shareholders and mandatory convertible preferred stock, shareholders are entitled to vote.

Because each depositary share represents a 1/40th interest in a share of the mandatory convertible preferred stock, holders of depositary shares are entitled to the equivalent of 1/40th of a vote of a share of our mandatory convertible preferred stock per depositary share. Wells Fargo Bank, N.A. acts as the bank depositary with respect to the depositary shares. The bank depositary will provide the notice of the 2014 Annual Meeting to the record holders of the depositary shares. Each record holder of depositary shares on the Record Date may instruct the bank depositary as to how to vote the amount of our mandatory convertible preferred stock represented by such holder's depositary shares in accordance with these instructions. The bank depositary will endeavor, insofar as practicable, to vote the amount of our mandatory convertible preferred stock represented by such depositary shares in accordance with these instructions. The bank depositary will abstain from voting shares of our mandatory convertible preferred stock to the extent it does not receive specific instructions from the holders of depositary shares.

9. How do I vote?

You may vote using any of the following methods:

Shareholders of Record. If your shares are registered in your name, you may vote in person or by proxy. If you decide to vote by proxy, you may do so over the Internet, by telephone or by mail.

- Over the Internet. After reading the proxy materials and with your WHITE proxy card in front of you, you may use a computer to access the website www.firstcoastresults.com. You will be prompted to enter your control number from your WHITE proxy card. This number will identify you as a shareholder of record. Follow the simple instructions that will be given to you to record your vote.

- By telephone. After reading the proxy materials and with your WHITE proxy card in front of you, you may call (800) 223-9672 using a touch-tone telephone. You will be prompted to enter your control number from your WHITE proxy card. This number will identify you as a shareholder of record. Follow the simple instructions that will be given to you to record your vote.
- By mail. If you received a paper copy of the WHITE proxy card by mail, after reading the proxy materials, you may sign, date and mark your WHITE proxy card and return it in the prepaid and addressed envelope provided.

The Internet and telephone voting procedures have been setup for your convenience and have been designed to authenticate your identity, allow you to submit voting instructions and confirm that those instructions have been recorded properly.

Shares Held by Bank or Broker. If your shares are held by a bank, broker, depositary, trustee, nominee or other shareholder of record, that entity will provide separate voting instructions.

If your shares are held in the name of a brokerage firm, your shares may be voted on certain items, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority under applicable rules to vote shares for which their customers do not provide voting instructions on certain "routine" matters. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is referred to as a "broker non-vote." The ratification of Deloitte & Touche LLP as our registered independent public accounting firm is the only routine matter for which the brokerage firm that holds your shares may vote your shares without your instructions.
WE STRONGLY ENCOURAGE YOU TO PROVIDE VOTING INSTRUCTIONS TO YOUR BROKER SO THAT YOUR VOTE WILL BE COUNTED.
If you have questions or need assistance voting your shares, please contact our proxy solicitor, D.F. King & Co., Inc. by any of the methods below:

D.F. King & Co., Inc.

Mail:	48 Wall Street, 22nd Floor, New York, NY 10038
Phone:	Toll Free (800) 487-4870
	Collect (212) 269-5550
Email:	cliffs@dfking.com

10. Has Cliffs been notified that a shareholder intends to propose its own director nominees at the meeting in opposition to the Board of Directors' nominees?

Yes. Casablanca has notified Cliffs that it intends to nominate six nominees for election as directors at the 2014 Annual Meeting in opposition to the Cliffs Board's recommended nine nominees. The Cliffs Board unanimously recommends that you vote FOR ALL of the nine director nominees recommended by the Cliffs Board by using the enclosed WHITE proxy card accompanying these proxy materials. The Cliffs Board strongly urges you not to sign or return any proxy card sent to you by or on behalf of Casablanca.
Casablanca's nominees have not been endorsed by the Board. Cliffs is not responsible for the accuracy of any information provided by or relating to Casablanca contained in any proxy solicitation materials filed or disseminated by, or on behalf of, Casablanca or any other statements that Casablanca may otherwise make.

11. What should I do if I receive a __________ proxy card from Casablanca?

The Board urges you NOT to sign or return any __________ proxy card sent to you by or on behalf of Casablanca. Voting against Casablanca's nominees on its proxy card is not the same as voting for the Cliffs Board's nominees, because a vote against Casablanca's nominees on its proxy card will revoke any previous proxy card submitted by you. If you have voted previously using the __________ proxy card sent to you by or on behalf of Casablanca, you can change your vote by executing the WHITE proxy card or by voting by telephone or Internet by following the instructions shown on the WHITE proxy card. Only the latest dated proxy you submit will be counted. If you have any questions or need assistance voting, please contact our proxy solicitor, D.F. King & Co. Inc., toll free at (800) 487-4870, call collect at (212) 269-5550 or email at cliffs@dfking.com.
Because the Board has nominated a slate of nine directors for the available 11 seats at the 2014 Annual Meeting, two nominees that were not nominated by Cliffs will be elected at the 2014 Annual Meeting. At this time, Casablanca is the only shareholder that has notified Cliffs of its intention to nominate directors for election at the 2014 Annual Meeting. Therefore, the Board expects that the remaining two board seats will be filled by two of the Casablanca nominees. Even if you vote FOR ALL of our nine Director nominees on the WHITE proxy card, we expect that at least two nominees that are nominated by Casablanca and/or another shareholder will be elected as directors at the 2014 Annual Meeting.

12. What can I do if I change my mind after I vote?

You may revoke your proxy at any time before the vote by (i) executing and submitting a revised proxy; (ii) providing a written revocation to the Secretary of Cliffs; or (iii) voting in person at the meeting. If you do not hold your shares directly, you should follow the instructions provided by your broker, bank or nominee to revoke your previously voted proxy. Only your latest dated proxy will count.

13. What vote is required to approve each proposal?

Each common share entitles its owner to one vote except with respect to the election of directors under cumulative voting. With respect to the election of directors under cumulative voting, each shareholder has the right to vote in

person or by proxy the number of shares registered in his or her name for as many persons as there are directors to be elected, or to cumulate such votes and give one candidate as many votes as shall equal the number of directors to be elected multiplied by the number of his or her shares, or to distribute the votes so cumulated among as many candidates as he or she may desire. Although the Board has nominated a slate of nine directors for the available 11 seats at the 2014 Annual Meeting, each shareholder of Cliffs common stock will still have 11 votes per share with respect to the election of directors.

With respect to Proposal 1, the 11 nominees receiving a plurality vote of the shares will be elected. In the event that cumulative voting is in effect, which we currently anticipate will be the case, the 11 nominees receiving the highest number of votes shall be elected. Because Casablanca has proposed six nominees for election at the 2014 Annual Meeting, the number of director nominees will exceed the number of directors to be elected, and, consequently, Cliffs' majority voting policy would not apply to this election. Otherwise, under our majority voting policy (adopted by the Cliffs Board) in an uncontested election, any director-nominee that is elected by a plurality vote but fails to receive a majority of votes

cast (which excludes abstentions and broker non-votes) is expected to tender his or her resignation, which resignation will be considered by the Governance and Nominating Committee and our Board.
With respect to Proposal 2, the approval of the 2014 Nonemployee Directors' Compensation Plan will pass with the affirmative vote of a majority of the shares present, in person or represented by proxy, at the 2014 Annual Meeting and entitled to vote on the proposal.
With respect to Proposal 3, the approval, on an advisory basis, of our named executive officers' compensation requires the affirmative vote of a majority of the shares present, in person or represented by proxy, at the 2014 Annual Meeting and entitled to vote on the proposal.
With respect to Proposal 4, approval of the Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan will pass with the affirmative vote of a majority of the shares present, in person or represented by proxy, at the 2014 Annual Meeting and entitled to vote on the proposal.
With respect to Proposal 5, the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the 2014 fiscal year will pass with the affirmative vote of a majority of the shares present, in person or represented by proxy, at the 2014 Annual Meeting and entitled to vote on the proposal.

MEETING INFORMATION

The accompanying proxy is solicited by the Board of Directors of Cliffs Natural Resources Inc., or Cliffs or the Company, for use at the Annual Meeting of Shareholders to be held on July 29, 2014, which we refer to as our 2014 Annual Meeting, and any adjournments or postponements thereof. This proxy statement, the accompanying WHITE proxy card and our 2013 Annual Report will be mailed on or about _________, 2014 to our shareholders of record as of the Record Date.

Voting Rights

Shareholders of record on the Record Date are entitled to vote at the meeting. On the Record Date, there were outstanding ________________ common shares and ____________ shares of our mandatory convertible preferred stock, which are represented by ________________ depositary shares (each of which represents 1/40th of a share of our mandatory convertible preferred stock), entitled to vote at the meeting. The common shares and mandatory convertible preferred stock will vote together as a single class. A majority of the common shares and shares of mandatory convertible preferred stock entitled to vote must be represented at the 2014 Annual Meeting, in person or by proxy, to constitute a quorum and to transact business. Each outstanding share is entitled to one vote in connection with each item to be acted upon at the 2014 Annual Meeting. As stated on page 22, we have received notice of a shareholder's desire to exercise cumulative voting in the election of directors. If cumulative voting is invoked and in effect with respect to the election of directors, which we currently anticipate will be the case, each shareholder will be able to allocate among the director nominees the total number of votes equal to the number of director positions to be filled multiplied by the number of common shares and/or shares of mandatory convertible preferred stock held by such shareholder (for example, because there are 11 directors to be elected at the 2014 Annual Meeting, a shareholder will be able to choose to vote each of its shares 11 times for a single director). Cumulative voting is described in more detail below under “Cumulative Voting”. You may submit a proxy by telephone, by Internet or by mail, as explained on your WHITE proxy card.

Voting of Proxies

The common shares and shares of mandatory convertible preferred stock represented by properly authorized proxies will be voted as specified. It is intended that the shares represented by proxies on which no specification has been made will be voted: FOR ALL of the nine nominees for director named herein or such substitute nominees as the Board may designate (or if cumulative voting is in effect, which we currently anticipate will be the case, to elect as many of such nominees as possible); FOR the new Nonemployee Director Compensation Plan; FOR the approval, on an advisory basis, of our named executive officers' compensation; FOR the Cliffs Natural Resources Amended and Restated 2012 Incentive Equity Plan; FOR the ratification of Deloitte & Touche LLP as our independent registered public accounting firm to serve for the 2014 fiscal year; and, at the discretion of the persons named as proxies, on all other matters that may properly come before the 2014 Annual Meeting.

Cumulative Voting

Under Ohio law, if a shareholder desires cumulative voting for the election of directors, then the shareholder must provide written notice to the President, a Vice President or the Secretary of Cliffs at least 48 hours before the meeting. The notice must state that the shareholder desires that the voting at the election of directors be cumulative. As stated on page 22, the Company has received such a notice from a shareholder. Other shareholders also may deliver such a notice any time at least 48 hours before the meeting.

For voting at the election of directors to be cumulative, an announcement of Cliffs' receipt of the shareholder's intent to exercise cumulative voting rights must be made when the annual meeting is convened by the Chairman of the Board, the Secretary or by or on behalf of a shareholder giving proper notice. Each shareholder that has delivered proper notice will be eligible to make the requisite announcement at the meeting and trigger cumulative voting. We cannot predict whether any eligible shareholder will make such an announcement. In some instances, an eligible shareholder will elect not to make such an announcement (even after having earlier given proper notice) for reasons of the shareholder's own choosing.

Even if no eligible shareholder elects to make an announcement and trigger cumulative voting, the chairperson or secretary of Cliffs may make such an announcement at the meeting if Cliffs chooses. Cliffs has not yet made a determination as to whether its Chairman or Secretary will

do so if the circumstance arises. Cliffs' determination as to whether it will make such an announcement and trigger cumulative voting in such a circumstance will depend on which method of voting it believes will result in the election of the greatest number of the nominees for directors named on page 21 based on the proxies it receives before the 2014 Annual Meeting.

For the reasons stated above, it is not yet certain whether cumulative voting will be in effect at the 2014 Annual Meeting, and it may not be certain until the time that the meeting is convened. If and when a proper notice is announced at the 2014 Annual Meeting, each shareholder will have cumulative voting rights. Cumulative voting means that each shareholder is entitled to that number of votes equal to the number of shares that he or she owns multiplied by the number of directors to be elected. Each shareholder may cast all of his or her votes for a single nominee or may distribute his or her votes among as many nominees as he or she sees fit. Although the Board has nominated a slate of only nine directors for the available 11 seats at the 2014 Annual Meeting, each shareholder of Cliffs common stock will still have 11 votes per share. For example, if a shareholder owns 100 common shares, because there are 11 directors to be elected at the 2014 Annual Meeting, such shareholder may allocate 1,100 "FOR" votes (11 times 100) to one director nominee or distribute such votes among two or more of the director nominees to be voted on at the 2014 Annual Meeting as such shareholder chooses. As indicated on page 13 above, if the election of directors is by cumulative voting, the persons appointed by the accompanying proxy intend to cumulate the votes represented by the proxies they receive and distribute such votes in accordance with their best judgment in order to elect as many of the nominees for directors named on page 21 as possible. The Board of Directors strongly urges you to vote FOR ALL of the nine nominees recommended by the Board of Directors. Those nominees receiving the largest number of votes for the director positions to be filled will be elected to those positions.

Counting Votes

The results of shareholder voting will be tabulated by the independent inspector of elections appointed for the 2014 Annual Meeting, IVS Associates, Inc. We intend to treat properly authorized proxies as "present" for purposes of determining whether a quorum has been achieved at the 2014 Annual Meeting.

Abstentions and broker non-votes will have no effect with respect to the election of directors. Abstentions will have the effect of votes against Proposals 2, 3, 4 and 5. Broker non-votes will have no effect with respect to Proposals 2, 3 and 4.

Proxy Solicitation

Cliffs will bear the cost of solicitation of proxies. In addition, employees and representatives of the Company may solicit proxies, and we will request that banks and brokers or other similar agents or fiduciaries transmit the proxy materials to beneficial owners for their voting instructions and we will reimburse them for their expenses in so doing. We have engaged D.F. King & Co. Inc. to assist in the solicitation of proxies for fees and disbursements not expected to exceed $1.35 million in the aggregate. Our expenses related to the solicitation of shareholders (excluding the amount normally expended for a solicitation for an election of directors in the absence of a contest and salaries and wages of regular employees and officers) currently are expected to be approximately $__________, of which approximately $__________ has been incurred to date. Proxies may be solicited personally, by mail, by telephone, by email or via the Internet.

Householding

We are permitted to send a single set of proxy materials to shareholders who share the same last name and address. This procedure is called "householding" and is designed to reduce our printing and postage costs. If you are the beneficial owner, but not the record holder, of Cliffs shares, your broker, bank or other nominee may only deliver one set of proxy materials and, as applicable, any other proxy materials that are delivered until such time as you or other shareholders sharing an address notify your nominee that you want to receive separate copies. A shareholder who wishes to receive a separate copy of the proxy statement and annual report, either now or in the future, should submit this request by writing to our Secretary at Cliffs Natural Resources Inc., 200 Public Square, Suite 3300, Cleveland, Ohio 44114, or calling our Investor Relations department at (800) 214-0739, and they will be delivered promptly. Beneficial owners sharing an address who are receiving multiple copies of proxy materials and annual reports and who wish to receive a single copy of such materials in the future will need to contact their broker, bank or other nominee to request that only a single copy of each document be mailed to all shareowners at the shared address in the future.

CORPORATE GOVERNANCE

Board Leadership Structure

Consistent with its ongoing commitment to best practices in corporate governance, in July 2013, our Board separated the roles of Chairman of the Board and chief executive officer, or CEO. James F. Kirsch, an independent director, was appointed as non-executive Chairman of the Board on July 9, 2013. Previously, Joseph A. Carrabba was the Chairman of our Board and also served as our President and CEO. Our Corporate Governance Guidelines state that when the Chairman is a Cliffs' executive a Lead Director needs to be appointed. As a result, the Board had appointed Francis R. McAllister as our Lead Director, a position he held for nine years until he resigned from the Board in June 2013, at which time the Board appointed Mr. Kirsch as our Lead Director.

Under this leadership structure, the Chairman is responsible for overseeing and facilitating communications between our management and the Board, for setting the meeting schedules and agendas, and leading Board discussions during Board meetings. During his tenure in the combined role, Mr. Carrabba had the benefit of Cliffs' personnel to help with extensive meeting preparation, responsibility for the process of recordkeeping of all Board deliberations, and the benefit of direct daily contact with management and the internal audit department. He worked closely with the Lead Director in setting meeting agendas and in ensuring that essential information was communicated effectively to the Board. Once Mr. Kirsch became Chairman, he also had the benefit of being on site and working directly with our management.

Pursuant to our Corporate Governance Guidelines, the Chairman's responsibilities include: chairing executive session meetings of the independent directors; leading the Board's processes for evaluating the President/CEO; meeting separately at least annually with each director; and ensuring that he or she is available for consultation and direct communication, if requested by major shareholders. Mr. Kirsch became interim executive Chairman of the Board on January 1, 2014. Because Mr. Kirsch was not independent while acting in this capacity, our Corporate Governance Guidelines specified that the chair of our Governance and Nominating Committee, Richard K. Riederer, would act as Lead Director, would serve as a liaison between the Chairman and the independent directors, would chair executive session meetings of the independent directors and would evaluate the performance of the independent directors with the Chairman. Accordingly, Mr. Riederer was our Lead Director during this time. In May 2014, Mr. Kirsch once again became the non-executive Chairman of the Board. As the non-executive Chairman, Mr. Kirsch is an independent director and will act as the Lead Director.

Our governance process is discussed in our Corporate Governance Guidelines, which are available on our website at http://www.cliffsnaturalresources.com.

In accordance with the New York Stock Exchange's, or NYSE, corporate governance listing standards, our non-management directors meet at regularly scheduled executive sessions without management present.

Board's Role in Risk Oversight

The Board as a whole oversees our enterprise risk management, or ERM, process. The Board executes its risk oversight role in a variety of manners. The full Board regularly discusses the key strategic risks facing Cliffs, and the Board has an annual meeting devoted to strategic planning, including discussion of Cliffs' principal strategic risks.

In addition, the Board delegates oversight responsibility for certain areas of risk to its committees. Generally, each committee oversees risks that are associated with the purpose of and responsibilities delegated to that committee. For example, the Audit Committee oversees risks related to accounting and financial reporting. In addition, pursuant to its charter, the Audit Committee periodically reviews our ERM process. The Strategy and Sustainability Committee addresses risk exposures related to the strategic plan, including financial, economic, reputational and hazard risks. The Compensation Committee monitors risks related to development and succession planning for executive officers, and compensation and related policies and programs for executive and non-executive officers and management. The Governance and Nominating Committee handles risks with respect to board organization, membership and structure, director succession planning and corporate governance matters. As appropriate, the respective committees' Chairpersons provide reports to the full Board.

Through the ERM process, management is responsible for the day-to-day management of Cliffs' risks. Cliffs' Chief Risk Officer leads the administration of the ERM process, which includes the involvement of management in the identification, assessment, mitigation and monitoring of Cliffs' key risks. The Chief Risk Officer and/or executive management regularly reports to the Board or relevant Committees regarding Cliffs' key risks and the actions being taken to manage these risks.

The Company believes that its leadership structure supports the risk oversight function of the Board. The Company has separated the roles of Chairman of the Board and President and independent directors chair our committees, which are each involved with risk oversight, and all directors actively participate in the Board's risk oversight function.

Board Meetings and Committees

During 2013, 14 meetings of the Cliffs Board and a total of 41 meetings of the Cliffs Board committees were held. Our independent directors held 12 meetings in executive session without the presence of Mr. Carrabba through November 2013. Mr. McAllister served as Lead Director beginning May 2004 until his resignation in June 2013, at which time the Board appointed Mr. Kirsch as our Lead Director and then our Chairman of the Board. Messrs.

McAllister and Kirsch chaired five and nine of the Board's executive session meetings, respectively, in 2013. Directors also discharge their responsibilities by reviewing reports to directors, visiting our facilities, corresponding with the CEO, and conducting telephone conferences with the CEO and directors regarding matters of interest and concern to Cliffs. In addition, directors have regular access to senior management of Cliffs. The directors attend Audit, Governance and Nominating, Compensation, and Strategy and Sustainability Committee meetings as well as ad hoc committee meetings when needed.

All committees regularly report their activities, actions and recommendations to the Cliffs Board. During 2013, one independent director attended at least 86 percent of the aggregate total of the Cliffs Board and committee meetings while the remaining independent directors attended at least 95 percent of the aggregate total of the Cliffs Board and committee meetings. No director attended less than 75 percent of the aggregate total of the Cliffs Board and committee meetings of which they were members.

Board Committee Membership

The Board of Directors has four standing committees: Audit, Compensation, Governance and Nominating and Strategy and Sustainability. The table below indicates the members of each committee as of July 1, 2013 through today except as noted below.

Director	Audit	Compensation & Organization	Governance & Nominating	Strategy & Sustainability
Gary B. Halverson				
Susan M. Cunningham			ü	ü
Barry J. Eldridge		ü		µ
Mark E. Gaumond (1)	ü	ü		
Andrés R. Gluski	ü			ü
Susan M. Green	ü		ü	
Janice K. Henry (2)	µ	ü		
Stephen M. Johnson (3)	ü		ü	
James F. Kirsch ¬ LD (4)				
Richard K. Riederer			µ	ü
Timothy W. Sullivan		µ		ü

¬ Chairman of the Board LD Lead Director µ Committee Chair ü Member

(1) Mr. Gaumond has been a member of the Audit Committee and the Compensation Committee since his election to the Board effective in July 2013.

(2) Ms. Henry became chair of the Audit Committee in April 2013 when Richard A. Ross resigned from the Board.

(3) Mr. Johnson has been a member of the Audit Committee and the Governance and Nominating Committee since his election to the Board effective October 1, 2013.

(4) Mr. Kirsch became our Lead Director when Francis McAllister retired from the Board in June 2013. Mr. Kirsch was elected as Cliffs' non-executive Chairman in July 2013. Mr. Kirsch became interim executive Chairman of the Board in January 2014. On May 23, 2014, Mr. Kirsch once again became Cliffs' non-executive Chairman of the Board and Lead Director.

Audit Committee. The Audit Committee reviews with our management, the internal auditors and the independent registered public accounting firm, the adequacy and effectiveness of our system of internal control over financial reporting; reviews significant accounting matters; reviews quarterly unaudited financial information prior to public release; approves the audited financial statements prior to public distribution; approves our assertions related to internal controls prior to public distribution; reviews any significant changes in our accounting principles or financial reporting practices; reviews, approves and retains the services performed by our independent registered public accounting firm; has the authority and responsibility to evaluate our independent registered public accounting firm; discusses with the independent registered public accounting firm their independence and considers the compatibility of non-audit services with such independence; annually selects and retains our independent registered public accounting firm to examine our financial statements; approves management's appointment, termination or replacement of the Chief Risk Officer; and conducts a legal compliance review at least annually. The members of the Audit Committee are independent under applicable SEC rules and the NYSE listing standards. The Cliffs Board has identified Messrs. Gaumond and Johnson and Ms. Henry, as well as Mr. Gluski, who is currently serving as a director but is not expected to be nominated for re-election, as audit committee financial experts (as defined in Item 407(d)(5)(ii) of Regulation S-K of the SEC rules). No member of the Audit Committee serves on the audit committees of more than three public companies. The Audit Committee held 10 meetings during 2013. The charter of the Audit Committee is available at http://www.cliffsnaturalresources.com.

Governance and Nominating Committee. The Governance and Nominating Committee is involved in determining director compensation and reviews and administers our director compensation plans; monitors the Board governance process and provides counsel to the CEO on Board governance and other matters; recommends changes in membership and responsibility of Board committees; and acts as the Board's Nominating Committee and Proxy Committee in the election of directors. The Governance and Nominating Committee held five meetings during 2013. The charter of the Governance and Nominating Committee is available at http://www.cliffsnaturalresources.com.

As noted above, the Governance and Nominating Committee is involved in determining compensation for our directors. The Governance and Nominating Committee reviews and administers our director compensation plans, and makes recommendations to the Board with respect to compensation plans and equity-based plans for directors. The Governance and Nominating Committee annually reviews director compensation in relation to comparable companies and other relevant factors. Any change in director compensation must be approved by the Cliffs Board. From time to time, the Governance and Nominating Committee or the Cliffs Board may engage the services of a compensation consultant to provide information regarding director compensation at comparable companies.

Compensation and Organization Committee. The Compensation Committee recommends to the Cliffs Board the election and compensation of officers; administers our executive compensation plans for officers; reviews management development; evaluates the performance of the CEO and the other executive officers; and obtains the advice of outside experts with regard to compensation matters. The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee.

The Compensation Committee obtains analysis and advice from an external compensation consultant to assist with the performance of its duties under its charter. The Compensation Committee directly retained Semler Brossy Consulting Group, or Semler Brossy, for 2013, and Semler Brossy helped the Compensation Committee develop an appropriate agenda for performing the Compensation Committee’s responsibilities. In this regard, Semler Brossy advised and assisted the Compensation Committee in determining the appropriate objectives and goals of our executive compensation programs; in designing compensation programs that fulfill those objectives and goals; in seeking to align executive compensation programs with shareholder interests; in evaluating the effectiveness of our compensation programs; in identifying appropriate pay positioning strategies and pay levels in our executive compensation programs; and in identifying mining industry and general

industry peers and identifying compensation surveys for the Compensation Committee to use to benchmark the appropriateness and competitiveness of our executive compensation program.

The Compensation Committee makes all decisions regarding the President/CEO's compensation, subject to ratification by the independent members of the Board, after consulting with its advisors in executive session where no management employees are present. For the other executive officers, the President/CEO is asked by the Compensation Committee to conduct and present an assessment on the achievement of specific goals established for those officers and on Cliffs' performance, taking into account external market forces and other considerations. While the President/CEO, Chief Financial Officer, or CFO, and Chief Human Resources Officer attend Compensation Committee meetings regularly by invitation, the Compensation Committee is the final decision maker for the compensation of the executive officers. For additional information regarding the operation of the Compensation Committee, see "Compensation Discussion and Analysis" beginning on page 36 of this proxy statement. The Compensation Committee held seven meetings during 2013. The charter of the Compensation Committee is available at http://www.cliffsnaturalresources.com.

Strategy and Sustainability Committee. The purpose of the Strategy and Sustainability Committee is to oversee Cliffs' strategic plan, annual management objectives and operations and to oversee and monitor risks relevant to its strategy, as well as operational, safety and environmental risks. The Strategy and Sustainability Committee provides advice and assistance with developing our current and future strategy; provides follow up oversight with respect to the comparison of actual results with estimates for major projects and post-deal integration; ensures that Cliffs has appropriate strategies for managing exposures to economic and hazard risks; assesses Cliffs' overall capital structure and its capital allocation priorities; assists management in determining the resources necessary to implement Cliffs' strategic and financial plans; monitors the progress and implementation of Cliffs' strategy; acts in an advisory capacity to the Board and management with respect to Cliffs' global sustainability strategies and its social license to operate; and reviews the adequacy of Cliffs' insurance programs. The Strategy and Sustainability Committee held seven meetings in 2013. The charter of the Strategy and Sustainability Committee is available at http://www.cliffsnaturalresources.com.

Identification and Evaluation of Director Candidates

Shareholder Nominees

The policy of the Governance and Nominating Committee is to consider properly submitted shareholder nominations for candidates for membership on the Board as described below under "Identifying and Evaluating Nominees for Directors." In evaluating nominations, the Governance and Nominating Committee seeks to achieve a balance of knowledge, experience and capability on the Cliffs Board and to address the membership criteria set forth below under "Board Diversity and Director Qualifications." Any shareholder nominations proposed for consideration by the Governance and Nominating Committee should include: (i) complete information as to the identity and qualifications of the proposed nominee, including name, address, present and prior business and/or professional affiliations, education and experience, and particular fields of expertise; (ii) an indication of the nominee's consent to serve as a director if elected; and (iii) the reasons why, in the opinion of the recommending shareholder, the proposed nominee is qualified and suited to be a director. Shareholder nominations should be addressed to Cliffs Natural Resources Inc., 200 Public Square, Suite 3300, Cleveland, Ohio 44114-2315, Attention: Secretary. Our Regulations provide that at any meeting of shareholders at which directors are to be elected, only persons nominated as candidates will be eligible for election.

Board Diversity and Director Qualifications

Although there is no specific board diversity policy in place presently, the Governance and Nominating Committee does consider such factors as it deems appropriate and consistent with our Corporate Governance Guidelines, the charter of the Governance and Nominating Committee and other criteria established by the Cliffs Board, which includes diversity. The Governance and Nominating Committee's goal in selecting directors for nomination to the Cliffs Board generally is to seek to create a well-balanced team that combines diverse experience, skill and intellect of seasoned directors in order to enable us to pursue our strategic objectives. The Governance and Nominating Committee has not reduced the qualifications for service on the Cliffs Board to a checklist of specific standards or minimum qualifications, skills or qualities. Rather, the Governance and Nominating Committee seeks, consistent with the vacancies existing on the Cliffs Board at any particular time and the interplay of a particular candidate's experience

with the experience of other directors, to select individuals whose business experience, knowledge, skills, diversity and integrity would be considered a desirable addition to our Board and any committees thereof. In addition, the Governance and Nominating Committee annually conducts a review of incumbent directors in order to determine whether a director should be nominated for re-election to the Cliffs Board.

Identifying and Evaluating Nominees for Directors

The Governance and Nominating Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Governance and Nominating Committee regularly reviews the appropriate size of the Cliffs Board and whether any vacancies on the Cliffs Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Governance and Nominating Committee considers various potential candidates for director. Applicable considerations include: whether the current composition of the Cliffs Board is consistent with the criteria described in our Corporate Governance Guidelines; whether the candidate submitted possesses the qualifications that generally are the basis for selection of candidates to the Cliffs Board; and whether the candidate would be considered independent under the rules of the NYSE and our standards with respect to director independence. Candidates may come to the attention of the Governance and Nominating Committee through current Board members, professional search firms, shareholders or other persons. As described above, the Governance and Nominating Committee considers properly submitted nominations for candidates for the Cliffs Board. Following verification of the recommending shareholder's status, recommendations are considered by the Governance and Nominating Committee at its next regularly scheduled meeting. Final approval of any candidate is determined by the full the Cliffs Board.

Communications With Directors

Shareholders and interested parties may communicate with the Chairman of the Board, the Lead Director, our non-management directors as a group or the Cliffs Board by writing to the Chairman of the Board at Cliffs Natural Resources Inc., 200 Public Square, Suite 3300, Cleveland, Ohio 44114-2315, Attn: Chairman of the Board. As set forth in the Corporate Governance Guidelines, the Chairman of the Board will report to the full Board any communications that are directed at all members of the Cliffs Board.

Business Ethics Policy

We have adopted a Code of Business Conduct and Ethics, or Ethics Code, which applies to all of our directors, officers and employees. The Ethics Code is available on our website at http://cliffsnaturalresources.com in the Corporate Governance section under "Investors." We intend to post amendments to or waivers from our Ethics Code (to the extent applicable to our principal executive officer, principal financial officer or principal accounting officer) on our website. Reference to our website and the contents thereof do not constitute incorporation by reference of the information contained on our website, and such information is not part of this proxy statement.

Independence and Related Party Transactions

Our Board has determined that each of the current directors standing for re-election, other than Mr. Halverson, and all of the current members of the Audit, Governance and Nominating, and Compensation Committees, have no material relationship with us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us) and is independent within the NYSE director independence standards. The Board also determined that Messrs. McAllister and Ross, who served as directors during 2013, met these independence standards. Ms. Cunningham and Mr. Gluski, who are currently serving as directors but are not expected to be nominated for re-election, also met these independence standards. The Board also determined that during the time that Mr. Kirsch served as our interim executive Chairman he did not meet these independence standards. Mr. Halverson is our President & CEO, and, as such, is not considered independent. Mr. Halverson does not serve as a member of any of the Cliffs Board committees.

Since January 1, 2013, there have been no transactions or currently proposed transactions, in which Cliffs was or is to be a participant and the amount exceeds $120,000, and in which any related person had or will have a direct or material interest. We recognize that transactions between us and any of our directors or executive officers can present potential or actual conflicts of interest and create the appearance that our decisions are based on considerations other than the best interests of our shareholders.

We have a written Related Party Transactions Policy, pursuant to which we only will enter into related party transactions if our CEO and Chief Legal Officer determine that the transaction is comparable to those that could be obtained in arm’s length dealings with an unrelated third party. If the transaction is approved by our CEO and Chief Legal Officer, then the transaction also must be approved by the disinterested members of our Audit Committee. For purposes of our policy, we define a related person as any person who is a director, executive officer, nominee for director or an immediate family member of a director, an executive officer or a nominee for director. We define a related party transaction as a transaction, agreement or relationship in which Cliffs was, is or will be a participant, the amount of the transaction exceeds $120,000, and a related person has or will have a direct or indirect material interest. However, compensation paid by Cliffs for service as a director or executive officer of the Company is not deemed to be a related party transaction, even if the aggregate amount involved exceeds $120,000. Under our policy, any related party transactions are reviewed by the Audit Committee at each quarterly committee meeting.

We have entered into indemnification agreements with each current member of the Board. The form and execution of the indemnification agreements were approved by our shareholders at the Annual Meeting convened on April 29, 1987. The indemnification agreements essentially provide that, to the extent permitted by Ohio law, we will indemnify the indemnitee against all expenses, costs, liabilities and losses (including attorneys’ fees, judgments, fines or settlements) incurred or suffered by the indemnitee in connection with any suit in which the indemnitee is a party or otherwise involved as a result of his or her service as a member of the Board. In connection with the indemnification agreements, we have a trust agreement with KeyBank National Association pursuant to which the parties to the indemnification agreements may be reimbursed with respect to enforcing their respective rights under the indemnification agreements.

In 2004, we reached an agreement with the United Steelworkers, or USW pursuant to which the USW may designate a member to the Board provided that the individual is acceptable to the Chairman, is recommended by the Board Affairs Committee (now known as the Governance and Nominating Committee), and is then approved by the full Board to be considered a director nominee. In 2007, Susan Green was first proposed by the USW, elected to the Board by Cliffs' shareholders in July 2007, and re-elected in each of the years 2008 through 2013.

DIRECTOR COMPENSATION

The directors who are not Cliffs' employees receive a combination of cash and equity compensation. The table below sets forth the cash compensation fee schedules for the nonemployee directors in 2013 and what currently is in effect for 2014. In addition, customary expenses for attending Board and committee meetings are reimbursed. Employee directors receive no additional compensation for their service as directors. In July 2013, the Board replaced the Lead Director position with a nonemployee Chairman of the Board, who received a quarterly retainer of $125,000 for the remainder of 2013. In January 2014, the nonemployee Chairman became an interim executive Chairman of the Board. In May 2014, the interim executive Chairman of the Board became the non-executive Chairman of the Board.

Board Form of Cash Compensation	2014($)	2013($)	
Annual Retainer	100,000	60,000	
Board Meeting Fees	Not applicable	2,000	/ meeting
Committee Meeting Fees	Not applicable	1,500	/ meeting
Chairman (non-executive) of the Board Annual Retainer	500,000	500,000	
Lead Director Annual Retainer	40,000	40,000	
Audit Committee Chair Annual Retainer	20,000	20,000	
Compensation and Organization Committee Chair Annual Retainer	12,500	12,500	
Annual Retainers for Chairs of Governance and Nominating and Strategy and Sustainability Committees	10,000	10,000	

Equity Grants. The directors' annual equity grants are made under the Nonemployee Directors' Compensation Plan (as Amended and Restated as of December 31, 2008), which we refer to as the Directors' Plan. Effective May 8, 2012 and in accordance with the terms of the Directors' Plan, $85,000 of restricted or unrestricted common shares, as described below, is awarded to each nonemployee director on the annual meeting date, unless otherwise determined by the Board. Nonemployee directors who are under age 69 on the date of the annual meeting receive an automatic annual grant of restricted shares with a three-year vesting requirement. Nonemployee directors who are 69 years of age or older on the date of the annual meeting receive an automatic annual grant of common shares (with no restrictions). Two directors (Messrs. McAllister and Riederer) received their annual equity award in the form of unrestricted shares in May 2013, and one (Mr. Riederer) will receive unrestricted shares in the 2014 annual equity grant. Any directors who joined the Board after the 2013 Annual Meeting received a prorated award of restricted shares pursuant to the Directors' Plan. Directors receive dividends on their annual equity grants and may elect that all cash dividends with respect to restricted shares be deferred and reinvested in additional common shares. Those additional common shares are subject to the same restrictions as the underlying award. Cash dividends not subject to a deferral election will be paid to the director without restriction.

Effect of Share Ownership Guidelines. We have established Director Share Ownership Guidelines and assess each director's compliance with the guidelines in December of each year. If a nonemployee director meets the guidelines as of that assessment date, the director may elect to receive all or a portion of his or her annual retainer for the following year in cash. If the director does not meet these guidelines, the director is required to receive an equivalent value of a specified portion of the annual retainer in common shares until he or she meets the guidelines. For those directors who were required (or elected) to receive payment of their 2013 annual retainers in the form of common shares, $24,000 of the retainer paid during 2013 was paid in common shares. Whether or not they are required to receive part of their retainer as common shares, nonemployee directors may elect to receive up to 100 percent of their retainer and other fees in common shares. The cash portions of the annual retainers are paid quarterly, and common shares are issued at the beginning of the next fiscal year for the portion of each quarter's retainer that is paid in common shares. Through 2013, directors were paid fees for attending meetings. However, since it is expected that directors will attend all meetings, effective January 1, 2014, directors will no longer receive meeting fees unless the number of meetings during a particular year are excessive, but rather will receive his or her annual retainer, which will be paid solely in cash.

The Director Share Ownership Guidelines that were in effect as of the December 2012 assessment, and which determined whether or not directors were required to receive a portion of their 2013 retainers in common shares, required each director to hold or acquire common shares having a market value of at least $250,000 within five years of becoming a director. The directors who did not hold the requisite value of common shares (Messrs. Gluski, Kirsch and Ross and Mses. Green and Henry), all of whom have been directors for less than five years, received at least a portion of their retainer in common shares in 2013.

Deferrals. The Directors' Plan gives nonemployee directors the opportunity to defer all or a portion of their annual retainer and other fees, whether payable in cash or common shares. If a director elects to defer part of his or her retainer or fees in shares, then the number of shares credited to the director's account is equal to the portion of the retainer or fee elected to be received in shares, divided by the fair market value of the shares on the first day of the period to which the retainer or fee relates. The portion of a fee that is deferred will be credited following each plan year to the respective director's account as of the date it would have otherwise been paid. Nonemployee directors may

elect to receive deferred shares in lieu of their annual equity award with the same three-year vesting requirements, if applicable. Amounts held in deferred cash accounts earn interest at the end of each quarter based on the Moody's Corporate Average Bond Yield, or such other rate as may be fixed by the plan administrator. Deferred share accounts earn dividend equivalents at the end of each quarter based on any cash dividends we pay during the quarter, which dividend equivalents are credited to the accounts in the form of additional deferred shares. The amounts in the director's deferral accounts, whether cash or shares, together with any deferred dividends, will be paid to the director in the form elected after such director's death, disability, termination of service or change in control of Cliffs.

Cliffs has a trust agreement with KeyBank National Association relating to the Directors' Plan in order to fund and pay our deferred compensation obligations under the Directors' Plan.

Proposed 2014 Nonemployee Directors' Compensation Plan. On February 11, 2014, the Board approved, subject to shareholder approval, the 2014 Nonemployee Directors' Compensation Plan, or Proposed Directors' Plan, to replace the Directors' Plan. The Proposed Directors' Plan authorizes up to 300,000 common shares to be issued pursuant to restricted shares, restricted stock units, deferred shares and other awards. See Proposal 2 for additional information about the Proposed Directors' Plan.

Director Compensation for 2013

The following table, supported by the accompanying footnotes and the narrative above, sets forth for fiscal year 2013 all compensation earned by the individuals who served as our nonemployee directors at any time during 2013.

Name	Fees Earned or Paid in Cash ($) (1)	Stock Awards ($) (2)		Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)		All Other Compensation ($) (3)		Total ($)
S. M. Cunningham	79,000	85,000		—		9,062		173,062
B. J. Eldridge	91,750	85,000		—		9,062		185,812
M. E. Gaumond	45,815	70,562		—		1,326		117,703
A. R. Gluski	78,500	85,000		—		4,491		167,991
S. M. Green	85,000	85,000		—		9,062		179,062
J. K. Henry	103,000	85,000		—		9,984		197,984
S. M. Johnson	23,500	50,767		—		366		74,633
J. F. Kirsch	333,750	835,000	(4)	—		24,850	(5)	1,172,189
F. R. McAllister (6)	70,500	85,000		81	(7)	7,483		163,064
R. K. Riederer	91,000	85,000		—		—		176,000
R. A. Ross (8)	33,000	—		—		428		33,428
T. W. Sullivan	82,950	111,548		—		2,234		196,732

(1) The amounts listed in this column reflect the aggregate cash dollar value of all earnings in 2013 for annual retainer fees, chairman retainers and meeting fees, whether received in required retainer shares, voluntary shares, cash or a combination thereof. Unless otherwise noted below, the amounts indicated were elected to be paid in cash during 2013.

Mr. Eldridge and Ms. Cunningham met the Director Share Ownership Guidelines and elected to continue to receive $24,000 each in common shares. Messrs. Kirsch and Riederer met the Director Share Ownership Guidelines and elected to defer $24,000 in common shares pursuant to the Directors' Plan.

(2) The amounts reported in this column reflect the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board (or FASB) Accounting Standards Codification (or ASC) Topic 718 for the nonemployee directors' annual equity awards of either restricted shares or unrestricted shares granted during 2013, which awards are further described above, and whether or not deferred by the director. The grant date fair value of the nonemployee directors' annual equity award on May 7, 2013 was $21.33 per share ($85,000). Among the nonemployee directors, Mr. McAllister (who was 69 years of age or older on the annual meeting date in May 2013) received 3,985 unrestricted common shares as his annual equity award for 2013 under the Directors' Plan. Mr. Riederer, who also was 69 years of age or older on the annual meeting date in May 2013, elected to defer his unrestricted shares under the Directors' Plan. Mr. Kirsch elected to defer his 3,985 restricted shares under the Directors' Plan. Messrs. Kirsch, McAllister and Riederer have elected to defer their dividends on certain of their annual equity awards into additional common shares subject to the same risk of forfeiture as their original grants pursuant to the Directors' Plan. As of December 31, 2013, the aggregate number of restricted shares subject to forfeiture held by each nonemployee director was as follows: Ms. Cunningham—6,408; Mr. Eldridge—6,408; Mr. Gaumond—4,421; Mr. Gluski—6,698; Ms. Green—6,408; Ms. Henry—6,408; Mr. Johnson—2,440; Mr. Kirsch—0; Mr. Riederer—0; Mr. Sullivan—4,720. As of December 31, 2013, the aggregate number of unvested deferred shares, including dividend reinvestments, allocated to the deferred share accounts of Messrs. Kirsch and Riederer under the Directors' Plan were 2,953 and 20,635, respectively.

(3) These amounts reflect dividends earned in 2013 on restricted share awards.

(4) In addition to his annual equity grant in May 2013 of $85,000, Mr. Kirsch received a grant of 45,760 phantom stock units valued at approximately $750,000 when he became Chairman of the Board in July 2013. The grant date fair value of the phantom stock units on July 9, 2013 was $16.39 per share. The phantom stock units vested on January 2, 2014 and were settled with a cash payment.

(5)

This amount includes approximately $21,400 of housing expenses that Cliffs agreed to pay in 2013 while Mr. Kirsch was non-executive Chairman.

(6) Mr. McAllister served as a director until June 2013.

(7) Mr. McAllister recognized above-market earnings in his deferred cash account of $81.

(8) Mr. Ross served as a director until April 2013.

PROPOSAL 1 ELECTION OF DIRECTORS

The Board has nominated Gary B. Halverson, Barry J. Eldridge, Mark E. Gaumond, Susan M. Green, Janice K. Henry, James F. Kirsch, Stephen M. Johnson, Richard K. Riederer and Timothy W. Sullivan to serve until the next Annual Meeting of Shareholders or until their successors shall be elected. All of the nominees are independent under the NYSE corporate governance rules except for Mr. Halverson. All of the nominees were elected by the shareholders at the Annual Meeting of Shareholders held on May 7, 2013, except for Messrs. Gaumond, Halverson and Johnson, who were nominated by the Governance and Nominating Committee and were appointed as directors by unanimous action of the Cliffs Board effective July 8, 2013, October 1, 2013 and November 18, 2013, respectively. The Governance and Nominating Committee engaged a third-party search firm to assist it in identifying candidates to be appointed. The third-party firm conducted a comprehensive search and identified various candidates that it recommended to the Governance and Nominating Committee, who then screened the résumés of several candidates before interviewing and nominating these individuals.

Should any nominee decline or be unable to accept such nomination to serve as a director, an event that we currently do not anticipate, the persons named as proxies reserve the right, in their discretion, to vote for a lesser number of nominees or for substitute nominees designated by the directors, to the extent consistent with our Regulations.

We do not have a formal policy regarding director attendance at our Annual Meeting of Shareholders; however, it is expected that all directors who are standing for re-election will attend the 2014 Annual Meeting unless there are extenuating circumstances for nonattendance. All of our directors who are standing for re-election and already were serving as a director at the time of the 2013 Annual Meeting attended the meeting.

The members and nominees for the Cliffs Board have diversified professional experience in general management, steel manufacturing, construction aggregates, mining, finance, project management, labor, law, natural resource exploration, power generation and distribution, and other fields. There is no family relationship among any of our nominees and executive officers. The average age of the nominees currently serving on the Cliffs Board is 62, ranging from ages 54 to 70. The average years of service of the nominees currently serving on the Cliffs Board is 4.5 years, ranging from less than one year to 11 years of service.

In the election of directors, the nominees receiving a plurality vote of the shares will be elected. However, under our current majority voting policy, any director-nominee that is elected in an uncontested election but fails to receive a majority of votes cast (which excludes abstentions and broker non-votes) is expected to tender his or her resignation, which resignation will be considered by the Governance and Nominating Committee and our Board.

As a result of Casablanca's stated intention to nominate alternative director nominees, assuming such nominees are in fact proposed for election at the 2014 Annual Meeting, the number of director nominees will exceed the number of directors to be elected, and, consequently, such majority voting policy would not apply to this election.

Under Ohio law, shareholders have the right to exercise cumulative voting in the election of directors as described under "Cumulative Voting" on page 14. The Company has received notice from Casablanca requesting the right to exercise cumulative voting in the election of directors. If cumulative voting rights are in effect for the election of directors, which we currently anticipate will be the case, you may allocate among the director nominees, as you see fit, the total number of votes equal to the number of director positions to be filled multiplied by the number of shares you hold. Although the Board has nominated a slate of nine directors for the available 11 seats at the 2014 Annual Meeting, each shareholder of Cliffs common stock will still have 11 votes per share with respect to the election of directors. For example, if you own 100 common shares, because there are 11 directors to be elected at the 2014 Annual Meeting, you may allocate 1,100 ''FOR'' votes (11 times 100) to one director nominee or distribute such votes among two or more of the director nominees to be voted on at the 2014 Annual Meeting as you choose. You may not, however, cumulate your votes against a nominee. If you choose to cumulate your votes, you will need to submit a proxy card or a ballot and make an explicit statement of your intent to cumulate your votes, either by so indicating in writing on the proxy card or by indicating in writing on your ballot when voting at the 2014 Annual Meeting. If you hold shares through a bank, broker, trustee, nominee or other shareholder of record and wish to cumulate votes, you should contact your bank, broker, trustee, nominee or other shareholder of record.

If you return a WHITE proxy card without giving specific voting instructions, then your shares will be voted "FOR" the election of Gary B. Halverson, Barry J. Eldridge, Mark E. Gaumond, Susan M. Green, Janice K. Henry, Stephen M.

Johnson, James F. Kirsch, Richard K. Riederer and Timothy W. Sullivan (collectively, the “Cliffs Nominees”). If cumulative voting rights are in effect, all shares represented by properly executed WHITE proxies will be divided evenly among the Cliffs Nominees, except that if dividing the votes evenly would not be effective to elect each of the Cliffs Nominees, votes will be cumulated in accordance with the best judgment of the persons appointed by your proxy in order to elect as many of the Cliffs Nominees as possible, except that none of your votes will be cast for any director nominee as to whom you instruct that your votes be withheld. Cumulative voting would apply only to the election of directors.

Casablanca has stated that it intends to nominate six candidates for election to the Cliffs Board of Directors at the 2014 Annual Meeting. The Board believes that Casablanca's director nominations are intended to pressure Cliffs to adopt Casablanca's previously proposed strategic plans, which the Board does not believe are in the best interests of Cliffs' shareholders. The Board believes that the nine nominees proposed by the Board are better equipped to serve Cliffs and all of its shareholders than the Casablanca nominees.

The Cliffs Board of Directors does not currently intend to nominate Susan M. Cunningham or Andrés R. Gluski for re-election as a director of Cliffs at the 2014 Annual Meeting, and the Cliffs Board does not currently intend to nominate replacement candidates. As discussed above, if cumulative voting rights are in effect for the election of directors, which we currently anticipate will be the case, all shares represented by properly executed WHITE proxies will be divided evenly among the Cliffs Nominees, except that if dividing the votes evenly would not be effective to elect each of the Cliffs Nominees, votes will be cumulated in accordance with the best judgment of the persons appointed. The Board has nominated a slate of nine directors for the available 11 seats. If cumulative voting rights are in effect for the election of directors, allocating 11 votes between the nine Cliffs Nominees will ensure that the maximum number of Cliffs Nominees are elected at the 2014 Annual Meeting. The Board expects that the remaining two board seats will be filled by two of the Casablanca nominees. THE BOARD STRONGLY URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY CASABLANCA.

The Board recommends a vote FOR ALL of the nine Cliffs Nominees listed on the following pages.

Background of Solicitation

During late-December 2013, the Chairman of Cliffs' Board and members of Cliffs' senior management team and investor relations were contacted by representatives of Casablanca requesting to discuss Cliffs' business and financial performance. In response to these requests, and as part of Cliffs' normal shareholder policy of engaging with investors and analysts, Cliffs' Chairman and members of senior management and investor relations met with representatives of Casablanca in Cleveland. Following the Cleveland meeting and in response to Casablanca's request, Cliffs' Chairman, COO and Executive Vice President - External Affairs met with representatives of Casablanca in New York City in mid-January 2014. In addition, representatives of Cliffs spoke with Casablanca representatives telephonically on multiple occasions during the month of January.

On January 27, 2014, Cliffs received a letter from Casablanca advocating for certain corporate actions to be taken by Cliffs at the same time such letter was released to the press. The letter was subsequently filed as an exhibit to Casablanca's Schedule 13D on January 28, 2014, reporting ownership of approximately 5.2 percent of Cliffs' outstanding common shares.

On January 28, 2014, Cliffs issued a statement acknowledging receipt of the letter from Casablanca and the ongoing dialogue with Casablanca's representatives.

On February 12, 2014, Cliffs received a letter from Casablanca informing Cliffs of Casablanca's intention to nominate candidates for election to the Board at the 2014 Annual Meeting. The letter did not name the intended candidates, other than Lourenco Goncalves, but stated an intention to nominate candidates constituting at least a majority of the Cliffs Board. On the same date, Casablanca publicly released a statement announcing its intention to nominate a majority of directors and supporting Mr. Goncalves to become Cliffs' chief executive officer.

Also on February 12, 2014, Cliffs issued a statement commenting on Casablanca's proposals.

On February 13, 2014, the Cliffs Board met to discuss Casablanca's statements and requests. Also at this meeting, Cliffs' Board appointed Gary Halverson to the role of CEO of Cliffs, effective immediately. Also on February 13, 2014, Cliffs announced their full-year 2013 financial results.

On February 14, 2014, Cliffs issued an open letter to shareholders outlining its strategic, operational and financial priorities and noting Cliffs' continued willingness to engage in discussions with Casablanca in order to avoid a costly and distracting public dispute.

On March 3, 2014, the Cliffs Board met to discuss Casablanca's statements and requests, and to explore options in order to reach an agreement with Casablanca without the distraction and expense of a proxy contest. The Board authorized James Kirsch, Cliffs' Chairman, to contact representatives of Casablanca in order to propose a solution that would involve Casablanca being granted the right to designate certain nominees for election to the Cliffs Board.

Later that day, Mr. Kirsch spoke telephonically with Donald Drapkin, chairman of Casablanca, and Douglas Taylor, CEO of Casablanca. During this conversation, Mr. Kirsch informed the Casablanca representatives that Cliffs was willing to grant Casablanca the right to appoint an independent director to the Cliffs Board. The Casablanca representatives informed Mr. Kirsch that they did not consider such offer acceptable. During this conversation, Mr. Drapkin suggested that Cliffs postpone the record date for the 2014 Annual Meeting.

On March 4, 2014, Mr. Kirsch again spoke with Mr. Drapkin. During this conversation, Mr. Kirsch informed him that Cliffs would be willing to permit Casablanca to appoint two independent directors to the Cliffs Board and that it would agree with Casablanca to appoint a third mutually acceptable director to be named at a later date. The Casablanca representative again rejected this proposal.

On March 5, 2014, Casablanca delivered a notice to Cliffs requesting that cumulative voting apply to the election of directors at the 2014 Annual Meeting.

On March 6, 2014, Cliffs received notice from Casablanca of Casablanca's intention to nominate six directors for election to the Board at the 2014 Annual Meeting, identifying and describing the individual proposed nominees listed in the notice - Mr. Goncalves, Rip Fisher, Patrice Merrin, Joseph Rutkowski, Gabriel Stoliar and Douglas Taylor.

Also on March 6, 2014, the Cliffs Board met to discuss the conversations between Mr. Kirsch and Casablanca, and Casablanca's nominations and public statements. At this meeting, the Board determined to postpone the record date for the 2014 Annual Meeting in order to provide additional time for Cliffs and Casablanca to attempt to reach a settlement and to permit additional shareholder engagement prior to the annual meeting vote. On March 7, 2014, Cliffs publicly

announced the decision to postpone the record date.

On March 14, 2014, Mr. Kirsch and Richard Riederer met with Mr. Drapkin and Mr. Taylor. During this meeting, the parties discussed the possibility of Cliffs reducing the size of its Board to nine members and permitting Casablanca to appoint three independent directors to the Cliffs Board, including Mr. Goncalves. The Casablanca representative indicated that Casablanca would propose a settlement agreement pursuant to those terms.

On March 16, 2014, the Cliffs Board met to discuss the meeting with Mr. Drapkin, Mr. Taylor and Casablanca.

On March 20, 2014, Casablanca's representative provided Cliffs' representatives with a copy of a proposed settlement agreement which required Cliffs to reduce the size of its Board to nine members and permit Casablanca to appoint three independent directors to the Cliffs Board, including Mr. Goncalves. Pursuant to the proposed settlement agreement, Mr. Goncalves would become the executive chairman of the Cliffs Board and the chairman of Cliffs' Strategic Committee.

During March and April 2014, nine members of the Cliffs Board interviewed Mr. Goncalves regarding his strategic vision for Cliffs should he become the executive chairman of the Cliffs Board and the chairman of Cliffs' Strategic Committee. Based on the interviews between the nine members of the Cliffs Board and Mr. Goncalves, the Cliffs Board determined that it was not in the best interest of shareholders to appoint Mr. Goncalves as executive chairman of the the Cliffs Board or chairman of Cliffs' Strategy Committee.

On April 21, 2014, Mr. Kirsch spoke telephonically with Mr. Taylor. During this conversation, Mr. Kirsch informed him that the Cliffs Board was unwilling to appoint Mr. Goncalves as executive chairman of the Cliffs Board or chairman of Cliffs' Strategy Committee. Mr. Kirsch further informed Mr. Taylor that if Casablanca would like to reconfigure the proposed settlement agreement without executive or chairmanship roles, Cliffs would consider such proposal. Casablanca's representative instructed Mr. Taylor to end the conversation.

On May 13, 2014, the Cliffs Board met to discuss Casablanca's request for cumulative voting and its intention to nominate six candidates for election to the Cliffs' Board at the 2014 Annual Meeting. The Cliffs Board considered that it may be in the best interests of Cliffs and its shareholders at this time to nominate a slate of nine directors for the available 11 seats at the 2014 Annual Meeting.

As of May 23, 2014, the Cliffs Board does not currently intend to nominate Susan M. Cunningham or Andrés R. Gluski for re-election as a director of Cliffs at the 2014 Annual Meeting, and the Cliffs Board does not currently intend to nominate replacement candidates.

In making the foregoing determinations the Cliffs Board noted the following:

- Cliffs' previous attempts to reach a settlement with Casablanca, including proactively offering to permit Casablanca to appoint two new independent directors to the Board of Directors and a third mutually agreed upon director to be named at a later date, were not accepted by Casablanca;
- Based on conversations with various shareholders, the Board of Directors believes that certain shareholders are likely to be supportive of Casablanca having minority representation on the Board of Directors;
- If all six of Casablanca's nominees were elected, Cliffs may be required to (a) offer to repurchase its outstanding notes and (b) pay the NEOs certain benefits, regardless of whether the employment of the NEO is terminated;
- Cliffs' Regulations do not include a deadline for nominating a director for election at the 2014 Annual Meeting; and
- In nominating a nine person slate for an 11 person Board, the Company, assuming that cumulative voting rights are in effect for the election of directors and that no other shareholder nominates a director for election, can offer its shareholders the ability to vote FOR ALL of the nine Cliffs' Nominees while also permitting Casablanca to obtain representation of two of its nominees on the Board under the plurality voting standard.

Information Concerning Director Nominees

Barry J. Eldridge
First Became Director: 2005; Independent
Age 68

Currently retired. Mr. Eldridge previously served as the managing director and chief executive officer of Portman Limited, an international iron ore mining company in Australia, from October 2002 through April 2005. Mr. Eldridge formerly served as chairman of Vulcan Resources Ltd. from 2005 to 2008, chairman of Millennium Mining Pty. Ltd. from 2007 to 2008 and chairman of Mundo Minerals Limited until 2012. He currently serves as a director of Sundance Resources Ltd. All of these companies are or were listed on the Australian Stock Exchange.

As a former executive of an international mining company and former chairman of various Australian mining companies, Mr. Eldridge brings to the Board a wealth of international management experience as well as business perspectives specific to the Australian coal and iron mining industry, which is one of Cliffs' strategic focuses.

Committee Assignments:
Strategy and Sustainability Committee (Chair) and Compensation and Organization Committee

Mr. Eldridge's extensive international mining and exploration expertise is an asset to our Strategy and Sustainability Committee, particularly when evaluating new strategic opportunities. His management experience both on boards of other companies and as a former executive facilitates his ability to lead as Chair of the Strategy and Sustainability Committee and strengthens the Compensation Committee through his understanding of compensation strategies necessary to retain and attract international exploration and mining talent.

Mark E. Gaumond
First Became Director: 2013; Independent
Age 63

Currently retired. Mr. Gaumond previously served as the Senior Vice Chair - Americas of Ernst & Young LLP, a global leader in assurance, tax, transaction and advisory services, from 2006 to 2010. Previously he served as Ernst & Young's Managing Partner, San Francisco from 2003 to 2006 and as an audit partner on several major clients. Prior to joining Ernst & Young, Mr. Gaumond was a partner with a 27-year career with Arthur Andersen LLP. Mr. Gaumond serves on the Boards of Directors and Audit Committees of Rayonier, Inc. and Booz Allen Hamilton Holding Corporation. He is also a director and president of the Fishers Island Development Corporation and a director of the Walsh Park Benevolent Corporation. He is a former trustee of the California Academy of Sciences.

Mr. Gaumond has more than 35 years of managerial, financial and accounting experience working extensively with senior management, audit committees and board of directors of public companies. His experience in financial accounting and reporting, compliance and internal controls, and public company audit committee experience allow him to contribute to our Board's oversight of the Company's overall financial performance, reporting and controls.

Committee Assignments:
Audit Committee and Compensation and Organization Committee

Mr. Gaumond's extensive financial reporting and accounting background combined with his organizational management skills strengthens our Audit Committee and Compensation Committee. The Board has identified Mr. Gaumond as a financial expert under SEC regulations.

Susan M. Green
First Became Director: 2007; Independent
Age 54
Currently retired. Ms. Green previously served as deputy general counsel, U.S. Congressional Office of Compliance from November 2007 through September 2013. She originally was proposed as a nominee for the Board by the USW pursuant to the terms of our 2004 labor agreement.
Ms. Green has served as both a labor organizer and as an attorney representing organized labor. She also has worked in the Legislative and Executive Branches of the federal government, including six years as deputy general counsel of the Office of Compliance, which enforces the labor and employment laws for the Legislative Branch, and her prior position as chief labor counsel for then-Senator Edward M. Kennedy, as well as several positions in the U.S. Department of Labor during the Administration of President Bill Clinton. She brings her diverse experiences as a labor attorney and an alternative point of view to our Board. As someone who has represented organized labor, she is able to advocate the views of the majority of our North American workforce.
Committee Assignments:
Audit Committee and Governance and Nominating Committee
Ms. Green's labor and governmental background brings practical experience to both committees.

Gary B. Halverson
First Became Director: 2013; Management
Age 55
President (since November 2013) and Chief Executive Officer (since February 2014) of Cliffs
Mr. Halverson was elected as president & chief operating officer of Cliffs effective November 18, 2013 and as chief executive officer of Cliffs effective February 13, 2014. Prior to joining Cliffs, Mr. Halverson served as interim chief operating officer from September 2013 to November 2013, as president-North America from December 2011 to November 2013 and as president-Australia Pacific from December 2008 to December 2011 for Barrick Gold Corporation Inc., an international gold mining company.
Mr. Halverson brings a global mining perspective with experience in a variety of minerals, including gold, copper and nickel, to the Board. Recently, he provided leadership for the largest gold region in the world at Barrick Gold Corporation Inc. Through his experience in various capacities in mining operations internationally, he has managed large annual operating budgets and capital projects. These experiences include a wide range of underground and open-pit mines from the construction and development phases through the end-of-life stage.

Janice K. Henry
First Became Director: 2009; Independent
Age 63
Currently retired. Ms. Henry previously served as senior vice president from 1998 through June 2006, chief financial officer from 1994 to June 2005 and treasurer from 2002 to March 2006 of Martin Marietta Materials, Inc., or Martin Marietta, a producer of construction aggregates serving the public infrastructure, commercial and residential construction markets in the United States. Ms. Henry served in a consulting capacity for Martin Marietta from July 2006 through June 2009. Ms. Henry was a director of North American Galvanizing & Coatings, Inc. from February 2008 through August 2010. In January 2012, Ms. Henry became a director of W.R. Grace & Co., a global specialty chemicals and materials company, and serves on its audit and compensation committees. Since October 2009, Ms. Henry has been a member of The Charles Stark Draper Laboratory, Inc., a nonprofit corporation, which engages in activities that contribute to the support and advancement of scientific research, technology and development.

Ms. Henry's background with Martin Marietta brings significant accounting, financial, SEC reporting, risk analysis and audit experience to our Board. As a former director on the boards of Inco Limited and North American Galvanizing & Coatings, Inc., Ms. Henry contributes her board-level experience and background in mining and basic materials.

Committee Assignments:
Audit Committee (Chair) and Compensation and Organization Committee

Ms. Henry's extensive financial reporting and accounting background provides the additional expertise required for audit committees of public companies. The Cliffs Board has determined that she is a financial expert (as that term is defined in SEC regulations) on the Audit Committee. Additionally, her financial background complements the activities of the Compensation Committee and she is an important link between the Audit and Compensation Committees.

Stephen M. Johnson
First Became Director: 2013; Independent
Age 62
Currently retired. Mr. Johnson previously served as chairman, president and CEO of McDermott International, Inc., a U.S.-based engineering and construction company focused exclusively on the upstream offshore oil and gas sector with global operations, from July 2010 through December 2013. Mr. Johnson was elected chairman of McDermott's board of directors in May 2011. Previously, Mr. Johnson served as president and chief executive officer of its subsidiary, J. Ray McDermott, S.A., from January 2010 to July 2010 and as president and chief operating officer of McDermott International, Inc. from April 2009 to December 2009. Before joining McDermott, he held the position of Senior Executive Vice President and Member, Office of the Chairman at Washington Group International, prior to its sale to URS Corporation.

Having served as a chairman and CEO of a public engineering and construction company, Mr. Johnson presents to our Board valuable insight into operational management issues crucial to a large public company and relating to large development projects.

Committee Assignments:
Audit Committee and Governance and Nominating Committee

As a former chairman, president and CEO of a NYSE-listed company, he understands the financial reporting requirements of a public company and is well versed in the mechanics of corporate governance issues.

James F. Kirsch
First Became Director: 2010; Independent
Age 56
Non-Executive Chairman of Cliffs since May 2014
Mr. Kirsch previously served as chairman, president and CEO of Ferro Corporation, or Ferro, a global supplier of technology-based materials for a broad range of manufacturers, until November 2012. Mr. Kirsch was elected chairman of Ferro's board of directors in December 2006 and appointed CEO and a director of Ferro in November 2005. Mr. Kirsch joined Ferro in October 2004 as its president and chief operating officer. Prior to joining Ferro from 2002 through 2004, Mr. Kirsch served as president of Premix Inc. and Quantum Composites, Inc., manufacturers of thermoset molding compounds, parts and subassemblies for the automotive, aerospace,
electrical and HVAC industries. From 2000 through 2002, he served as president and director of Ballard Generation Systems, a company engaged in the design, development, manufacture and sale of clean energy fuel cell products, and vice president for Ballard Power Systems in Burnaby, British Columbia, Canada.
Mr. Kirsch brings a wealth of senior management experience with major organizations with international operations. As a former chairman, president and CEO of a NYSE-listed company, he brings additional chairmanship and CEO experience to the Cliffs Board and the committees on which he serves.
Mr. Kirsch, as a former chairman and CEO of a public company with global operations, contributes to the Board a full range of strategic management expertise and a broad understanding of the issues facing an international business. Mr. Kirsch was elected as Cliffs' non-executive Chairman in July 2013. Mr. Kirsch became interim executive Chairman of the Board in January 2014. On May 23, 2014, Mr. Kirsch once again became Cliffs' non-executive Chairman.

Richard K. Riederer
First Became Director: 2002; Independent
Age 70
Chief Executive Officer of RKR Asset Management, a consulting organization, since June 2006
Mr. Riederer served as president and CEO from January 1996 through February 2001 of Weirton Steel Corporation, a North American steel producing company. Mr. Riederer has been a director of First American Funds since September 2001. He also serves on the Board of Trustees of Franciscan University of Steubenville.
Mr. Riederer's long career in the steel industry as well as his experience as CEO and chief financial officer of Weirton Steel Corporation brings executive management, accounting and finance and financial reporting expertise to the Cliffs Board as well as an in-depth knowledge of the North American steel industry. His insight as past chairman of North American Iron & Steel Institute is invaluable.
Committee Assignments:
Governance and Nominating Committee (Chair) and Strategy and Sustainability Committee
Mr. Riederer's strong sense of leadership and knowledge of the steel industry supports the purpose of our Strategy and Sustainability Committee. His experience as a former and current director on other boards enhances his role as Chair of the Governance and Nominating Committee.

Timothy W. Sullivan
First Became Director: 2013; Independent
Age 60
Chairman and CEO of Gardner Denver Inc., a manufacturer of products for energy, industrial and medical applications, since July 2013
Mr. Sullivan previously served as executive advisor to CCMP Capital Advisors LLC, a private equity firm, from 2012 to 2013. He also served as president, CEO and a director of Bucyrus International Inc., a surface and underground mining equipment company from 2004 until 2011 and president from 2000 to 2004. In 2012, he served as a special consultant to Wisconsin Governor Scott Walker and he chaired the Governor's Council on Workforce Investment and the College of Workforce Readiness Council. He currently chairs the Wisconsin Mining Association and he is a director of Aurora Health Care, Inc. and Northwestern Mutual Life Insurance Company.

As a former president and CEO of a company that manufactures mining equipment, Mr. Sullivan brings to the Board a unique perspective about the mining industry.

Committee Assignments:

Compensation and Organization Committee (Chair) and Strategy and Sustainability Committee

As a current and former CEO, Mr. Sullivan has significant leadership experience and strategic management expertise, and he understands the compensation strategies necessary to attract and retain talented employees.

PROPOSAL 2 APPROVE 2014 NONEMPLOYEE DIRECTORS’ COMPENSATION PLAN

General

On February 11, 2014, upon recommendation by the Governance and Nominating Committee, the Cliffs Board unanimously approved and adopted, subject to the approval of Cliffs’ shareholders at the 2014 Annual Meeting, the 2014 Nonemployee Directors' Compensation Plan, or Proposed Directors' Plan.

If approved by our shareholders, the Proposed Directors' Plan will replace in its entirety the Cliffs Natural Resources Inc. Nonemployee Directors' Compensation Plan, as amended, or Directors' Plan. If the Proposed Directors' Plan is approved by our shareholders, it will become effective on December 1, 2014, and no further awards will be granted under the Directors' Plan after that date. All outstanding equity grants under the Directors' Plan will continue in effect in accordance with their terms and the annual equity grants awarded to directors on the date of the 2014 Annual Meeting would be pursuant to the Directors' Plan but will reduce the number of shares available under the Proposed Directors' Plan on a one-for-one basis. If the Proposed Directors' Plan is not approved by shareholders, the Proposed Directors' Plan will be null and void and the Directors' Plan will remain in effect and will be available for issuance of awards. As of May 19, 2014, 32,462 common shares remained available for issuance as awards under the Directors' Plan.

Our principal reasons for adopting the Proposed Directors' Plan are to obtain authorization of the number of common shares available for issuance, to limit on an annual basis the compensation amount that may be awarded to directors and to simplify the administration of the plan. The Proposed Directors' Plan authorizes up to 300,000 common shares to be issued pursuant to (1) restricted shares, (2) restricted stock units, (3) deferred shares and (4) other awards that may be denominated or payable in, valued by or reference to or based on the common shares or factors that may influence the value of the common shares, including cash awards (other awards). These shares may be newly issued common shares or common shares that were reacquired by us in the open market or in private transactions.

Shareholder approval of the Proposed Directors' Plan is needed under the NYSE rules. The actual text of the Proposed Directors' Plan is attached to this proxy statement as Annex A. The following description of the Proposed Directors' Plan is only a summary of its principal terms and provisions and is qualified by reference to the actual text as set forth in Annex A.

Why We Recommend That You Vote for Proposal 2

The Proposed Directors' Plan authorizes the Governance and Nominating Committee to provide equity-based compensation in the form of restricted shares, restricted stock units, deferred shares, dividend equivalents and other awards for the purpose of providing our nonemployee directors with incentives and rewards for performance. Some of the key features of the Proposed Directors' Plan that reflect our commitment to effective management of equity and incentive compensation are set forth below.

We believe our future success depends in part on our ability to attract, motivate and retain high-quality directors and that the ability to provide equity-based awards under the Proposed Directors' Plan is critical to achieving this success. We would be at a severe competitive disadvantage if we could not use stock-based awards to recruit and compensate our nonemployee directors.

The use of our common shares as part of our compensation program also is important to our continued success because we believe it fosters a pay-for-performance culture that is an important element of our overall compensation philosophy. We believe that equity compensation motivates nonemployee directors to create shareholder value because the value directors realize from equity compensation is based on our stock price performance. Equity compensation also aligns the compensation interests of our nonemployee directors with the investment interests of our shareholders and promotes a focus on long-term value creation because our equity compensation awards can be subject to vesting.

As of May 19, 2014, 32,462 common shares remained available for issuance under the Directors' Plan. If the Proposed Directors' Plan is not approved, we may be compelled to increase significantly the cash component of our nonemployee director compensation, which may not necessarily align directors' compensation interests with the investment interests of our shareholders as well as alignment provided by equity-based awards. Replacing equity awards with cash also would increase cash compensation expense and use cash that could be better utilized if reinvested in our business or returned to our shareholders.

The following includes aggregated information regarding the overhang and dilution associated with the Directors' Plan and the potential shareholder dilution that would result if our proposed share authorization under the Proposed Directors' Plan is approved. Please note that we also are seeking approval for a proposed share increase under the Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan as described below in Proposal 4, and you may want to take the information set forth in Proposal 4 into consideration when evaluating this Proposal 2 to fully determine the consequences of both that proposed share increase and this proposed share request. The information is as of May 19, 2014. As of that date, there were approximately 153,180,929 of our common shares outstanding.

- Outstanding full-value awards (restricted shares, unvested deferred shares and dividend equivalents): 65,316 common shares (0.04 percent of our outstanding common shares);
- Unvested restricted shares awards: 38,996 common shares (0.03 percent of our outstanding common shares);
- Unvested deferred share awards and dividend equivalents: 19,651 common shares (0.01 percent of our outstanding common shares);

- Total common shares subject to outstanding awards, as described above: 65,316 common shares (0.04 percent of our outstanding common shares);
- Total common shares available for future awards under the Directors' Plan: 32,462 common shares (0.02 percent of our outstanding common shares);
- The total number of common shares subject to outstanding awards (65,316 common shares) plus the total number of common shares available for future awards under the Directors' Plan (32,462 common shares), represents a current overhang percentage of 0.06 percent (in other words, the potential straight dilution of our shareholders represented by the Directors' Plan);
- Proposed new common shares requested for future issuance under the Proposed Directors' Plan: 300,000 common shares (0.20 percent of our outstanding common shares - this percentage reflects the simple dilution of our shareholders that would occur if the Proposed Directors' Plan is approved); and
- The total common shares subject to outstanding awards as of May 19, 2014 (65,316) plus the total common shares available for future awards under the Directors' Plan as of that date (32,462), plus the proposed new common shares available for issuance under the Proposed Directors' Plan (300,000 minus 32,462), represent a total fully-diluted overhang of 365,316 shares (0.24 percent) under the Proposed Directors' Plan (reflecting the fact that any share issued or transferred under the Directors' Plan on or after January 1, 2014 will reduce on a one-for-one basis the number of shares available for issuance under the Proposed Directors' Plan).

Based on the closing price on the NYSE for our common shares on May 19, 2014 of $16.50 per share, the aggregate market value as of that date of the 300,000 new common shares requested for issuance under the Proposed Directors' Plan was $4,950,000.

In 2011, 2012 and 2013, we granted awards under the Directors' Plan covering 13,422 shares, 17,673 shares and 54,360 shares, respectively.

In determining the number of shares to request for approval under the Proposed Directors' Plan, our management team worked with Semler Brossy, the Compensation Committee's independent compensation consultant, and the Compensation Committee to evaluate a number of factors including our recent share usage and criteria expected to be utilized by institutional proxy advisory firms in evaluating our proposal for the Proposed Directors' Plan and the Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan.

If the Proposed Directors' Plan is approved, we intend to utilize the shares authorized under the Proposed Directors' Plan to continue our practice of incentivizing nonemployee directors through equity grants. We currently anticipate that the shares requested in connection with the approval of the Proposed Directors' Plan will last for about six years based on our historic grant rates and the approximate current share price, but could last for a different period of time if actual practice does not match historic rates or our share price changes materially. Our Governance and Nominating Committee would retain full discretion under the Proposed Directors' Plan to determine the number and amount of awards to be granted under the Proposed Directors' Plan, subject to the terms of the Proposed Directors' Plan, and future benefits or amounts that may be received by participants under the Proposed Directors' Plan are not determinable at this time.

We believe that we have demonstrated a commitment to sound equity compensation practices in recent years. We recognize that equity compensation awards dilute shareholder equity, so we carefully have managed our equity incentive compensation. Our equity compensation practices are intended to be competitive and consistent with market practices, and we believe our historical share usage has been responsible and mindful of shareholders' interests, as described above.

In evaluating this Proposal 2, shareholders should consider the factors set forth under "Summary of the Proposed Directors' Plan" below, plus the remaining information in this Proposal 2.

Summary of the Proposed Directors' Plan

Key Provisions	Description
Eligible Participants	Nonemployee directors of Cliffs (currently 10 persons).
Common Shares Subject to the Plan	300,000, less one common share for every common share that is issued or transferred on or after January 1, 2014 under the Directors' Plan; however, any common shares covered by an award or portion of an award granted under the Proposed Directors' Plan that is terminated, forfeited, canceled or expires will be deemed not to have been issued for purposes of determining the maximum number of common shares available for issuance under the Proposed Directors' Plan. Common shares covered by an award will not be counted as used unless and until they actually are issued and delivered to a participant. In addition, if any award under the Proposed Directors' Plan is paid in cash, the common shares covered by that award will again be available for awards under the Proposed Directors' Plan.
Shares Deducted from the Plan	1:1 for restricted shares, restricted stock units, deferred shares or other awards.
Last Day for Grants	May 13, 2024
Limit on Participant Award	$1 million aggregate value of shares or share-based awards annually to any individual director.
Award Types	Restricted shares and restricted stock units: Restricted shares and restricted stock units may be subject to such restrictions and conditions as the Governance and Nominating Committee determines and all restrictions will expire at such times as the Governance and Nominating Committee specifies, subject to certain limitations set forth in the Proposed Directors' Plan. Restricted stock units may be paid in common shares or cash. Other awards: Other awards granted may be subject to the terms and conditions as the Governance and Nominating Committee determines, subject to certain limitations set forth in the Proposed Directors' Plan. Deferred shares: Each participant may elect to have any awards that are denominated or payable only in common shares converted to deferred shares, which will be credited to a bookkeeping account in the name of the participant. Deferred shares will be subject to the same vesting schedule as the original award and are paid upon the earliest of the participant's termination of service as a director, death or a change in control. Payments of deferred shares generally are made in a single lump sum, but participants are permitted to elect payment in one, two or three annual installments upon a termination of service. That election must be made at the same time the election to convert the award to deferred shares is made. Deferred shares are paid in cash or in common shares and the participant has no ownership rights in the underlying common shares during the deferral period. Dividend equivalents with respect to deferred shares are credited to the participant's deferred share account.
Payment of Dividends	Restricted shares will earn dividends and restricted stock units and other awards may earn dividend equivalents at the discretion of the Governance and Nominating Committee.
Transferability of Awards	Except as otherwise provided by the Governance and Nominating Committee, only by will or the laws of descent and distribution or in connection with a domestic relations order.
Administration	The Proposed Directors' Plan will be administered by the Governance and Nominating Committee.
Vesting of Restricted Shares, Restricted Stock Units and Deferred Shares	May permit up to 100% upon termination of service, death, disability or change in control, or as otherwise provided in the evidence of award.
Adjustments	In the event of certain capitalization changes (for example, a stock split, dividend, or combination of shares) or any merger, consolidation, spin-off, split-off, reorganization, liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or other corporate transactions having a similar effect, the Governance and

	Nominating Committee will adjust equitably the number and kind of shares available and subject to outstanding awards. Moreover, in the event of any such transaction or event or in the event of a change in control, the Governance and Nominating Committee, in its discretion, may provide in substitution for any or all outstanding awards under the Proposed Directors' Plan alternative consideration (including cash) as it may determine to be equitable under the circumstances and may require the surrender of all awards that are replaced, subject to certain legal requirements. The Governance and Nominating Committee may also adjust the maximum number of shares subject to the Proposed Directors' Plan as it deems appropriate in light of any transaction or event described above.
Fractional Shares	Issuance of fractional shares is not required; instead, the Governance and Nominating Committee may eliminate fractions or settle fractions in cash.
Termination or Amendment	Board may amend the Proposed Directors' Plan at any time, but cannot amend the Proposed Directors' Plan if the amendment would increase materially participants' benefits, increase materially the share authorization, modify materially participation requirements or would otherwise require shareholder approval under stock exchange rules or applicable law; in such case, the amendment must receive shareholder approval. In addition, the Governance and Nominating Committee may amend awards without participant consent unless the amendment would impair the rights of the participant. The Board may terminate the Proposed Directors' Plan at any time, but termination will not affect the rights of participants under outstanding awards.

Tax Withholding

We will withhold any applicable taxes from any distribution or payment to the extent that we believe it is required by law.

Federal Income Tax Consequences

The following is a brief summary of some of the federal income tax consequences of certain transactions under the Proposed Directors' Plan based on federal income tax laws in effect on January 1, 2014. This summary, which is presented for the information of shareholders considering how to vote on this proposal and not for Proposed Directors' Plan participants, is not intended to be complete and does not describe federal taxes other than income taxes (such as Medicare and Social Security taxes), state, local or foreign tax consequences.

Tax Consequences to Participants

Restricted Shares. A recipient of shares generally will be subject to tax at ordinary income rates on the fair market value of the restricted shares reduced by any amount paid by the recipient at such time as the shares are no longer subject to a risk of forfeiture or restrictions on transfer for purposes of Section 83 of the Internal Revenue Code of 1986, as amended, or the Code (the “Restrictions”). However, a recipient who so elects under Section 83(b) of the Code within 30 days of the date of transfer of the shares will have taxable ordinary income on the date of transfer of the shares equal to the excess of the fair market value of the shares (determined without regard to the Restrictions) over any purchase price paid for the shares. If a Section 83(b) election has not been made, any dividends received with respect to restricted shares that are subject at that time to a risk of forfeiture or restrictions on transfer generally will be treated as compensation that is taxable as ordinary income to the recipient.

Restricted Stock Units and Deferred Shares. No income generally will be recognized upon the award of restricted stock units or deferred shares. The recipient of a restricted stock unit or deferred share award generally will be subject to tax at ordinary income rates on the fair market value of unrestricted common shares on the date that such shares are transferred to the participant under the award (reduced by any amount paid by the participant for such restricted stock units or deferred shares), and the capital gains/loss holding period for such shares will also commence on such date.

Tax Consequences to Cliffs

To the extent that a participant recognizes ordinary income in the circumstances described above, Cliffs will be entitled to a corresponding deduction provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, and is not an “excess parachute payment” within the meaning of Section 280G of the Code.

Registration with the SEC

We intend to file a Registration Statement on Form S-8 relating to the issuance of the common shares under the Proposed Directors' Plan with the SEC pursuant to the Securities Act of 1933, as amended, or Securities Act, as soon as practicable after approval of the Proposed Directors' Plan by our shareholders.

The affirmative vote of the holders of a majority of the voting power of our common shares and shares of our mandatory convertible preferred stock present in person or represented by proxy at the 2014 Annual Meeting and entitled to vote on the Proposed Directors' Plan, voting together as a single class, is required to approve the Proposed Directors' Plan.

The Board of Directors unanimously recommends a vote “FOR” Proposal 2 to approve the Cliffs Natural Resources Inc. 2014 Nonemployee Directors' Compensation Plan.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, or Exchange Act, requires our directors and officers and persons who own more than 10 percent of a registered class of our equity securities to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC. Directors, officers and greater than 10 percent shareholders are required by SEC regulations to furnish us with copies of all Forms 3, 4 and 5 they file.

Based solely on our review of the copies of such forms we have received, and written representations by such persons, we believe that, except as otherwise noted below, all of our directors, officers and greater than 10 percent shareholders complied with all filing requirements applicable to them with respect to transactions in our equity securities during the fiscal year ended December 31, 2013. On February 26, 2013, a Form 4 for each of Laurie Brlas, Donald Gallagher and Terrence Mee that was reporting their respective vesting of performance shares on February 21, 2013 was filed a day late due to technical filing difficulties. Also on February 26, 2013, a Form 3/A was filed for Terrence Paradie to include restricted stock units that were inadvertently omitted from his original filing on October 9, 2012.

OWNERSHIP OF EQUITY SECURITIES OF THE COMPANY

The following table sets forth the amount and percent of common shares that, as of June 2, 2014 (except as otherwise indicated), are deemed under the rules of the SEC to be “beneficially owned” by each director named in this proxy statement, by our CEOs, CFO and the other named executive officers as identified in the “2013 Summary Compensation Table” below by such persons, individually and collectively by the directors named in this proxy statement and the other executive officers as a group, and by any person or “group” (as the term is used in the Exchange Act) known to us as of that date to be a “beneficial owner” of more than five percent or more of the outstanding common shares. None of our directors, director nominees or executive officers own any of the outstanding shares of mandatory convertible preferred stock as of the Record Date. None of the shares owned by our directors, director nominees or executive officers are pledged as security.

	Amount and Nature of “Beneficial Ownership”(1)					
Name of Beneficial Owner	Beneficial	Investment Power		Voting Power		Percent
	Ownership(2)	Sole	Shared	Sole	Shared	of Class(3)
Directors						
Susan M. Cunningham	20,402	20,402	—	20,402	—	—
Barry J. Eldridge	24,103	24,103	—	24,103	—	—
Mark E. Gaumond	5,046	5,046		5,046		
Andrés R. Gluski	12,049	12,049	—	12,049	—	—
Susan M. Green	11,680	11,680	—	11,680	—	—
Janice K. Henry	11,200	11,200	—	11,200	—	—
Stephen M. Johnson	2,728	2,728	—	2,728	—	—
James F. Kirsch	10,184	10,184	—	10,184	—	—
Richard K. Riederer	28,760	28,760	—	28,760	—	—
Timothy W. Sullivan	5,823	5,823	—	5,823	—	—
Named Executive Officers						
Gary B. Halverson	—	—	—	—	—	—
Terrance M. Paradie	17,417	17,417	—	17,417	—	—
P. Kelly Tompkins	27,986	27,986	—	27,986	—	—
Donald J. Gallagher	121,783	121,783	—	121,783	—	—
Colin Williams	910	910	—	910	—	—
William Hart	—	—	—	—	—	—
Joseph A. Carrabba	6,197	6,197	—	6,197	—	—
Laurie Brlas	86,644	86,644	—	86,644	—	—
All Current Directors and Executive Officers as a group (19 Persons)(4)	267,929	267,929	—	267,929	—	—
Other Persons						
Capital World Investors(5) 333 South Hope Street Los Angeles, CA 90071	16,942,143	16,942,143	—	16,942,143	—	11.06 %
BlackRock Inc.(6) 40 East 52nd Street New York, NY 10022	12,839,655	12,839,655	—	11,623,720	—	8.38 %
The Vanguard Group, Inc.(7) 100 Vanguard Blvd. Malvern, PA 19355	10,305,958	10,112,709	193,249	200,949	—	6.73 %
TIAA-CREF Investment Management, LLC Teachers Advisors, Inc.(8) 730 Third Avenue	9,172,605	9,172,605	—	9,172,605	—	5.99 %

New York, NY 10017							
Casablanca Capital LP(9) 450 Park Avenue, Suite 1403 New York, NY 10022	7,957,520	51,000	7,906,520	—	7,906,520	5.19	%

(1) Under the rules of the SEC, "beneficial ownership" includes having or sharing with others the power to vote or direct the investment of securities. Accordingly, a person having or sharing the power to vote or direct the investment of securities is deemed to "beneficially own" the securities even if he or she has no right to receive any part of the dividends on or the proceeds from the sale of the securities. Also, because "beneficial ownership" extends to persons, such as co-trustees under a trust, who share power to vote or control the disposition of the securities, the very same securities may be deemed "beneficially owned" by two or more persons shown in the table. Information

with respect to “beneficial ownership” shown in the table above is based upon information supplied by our directors, nominees and executive officers and filings made with the SEC or furnished to us by any shareholder.

(2) The amounts include the indirect share ownership held by directors and officers under various deferred compensation plans described in this proxy statement. The indirect share ownership as of the Record Date is as follows: Mr. Kirsch—8,235; Mr. Riederer—26,205; Mr. Paradie—6,628; Mr. Tompkins—3,917; Mr. Gallagher—108,113; Ms. Brlas—17,301; and all current directors and executive officers as a group (19 Persons)— 204,754. There are no other shares that may be acquired within 60 days.

(3) Less than one percent, except as otherwise indicated.

(4) The number of executive officers has decreased since 2013.

(5) Capital World Investors reported its ownership on Amendment No. 5 to Schedule 13G filed with the SEC on February 13, 2014.

(6) BlackRock Inc. reported its ownership on Amendment No. 4 to Schedule 13G filed with the SEC on February 10, 2014.

(7) The Vanguard Group, Inc. reported its ownership on Amendment No. 2 to Schedule 13G filed with the SEC on February 12, 2014.

(8) TIAA-CREF Investment Management, LLC and Teachers Advisors, Inc. reported their combined ownership on a Schedule 13G filed with the SEC on February 14, 2014.

(9) Casablanca Capital LP reported its ownership on Amendment No. 1 to Schedule 13D filed with the SEC on February 12, 2014.

COMPENSATION DISCUSSION AND ANALYSIS

In this section of the proxy statement, we discuss in detail our executive compensation program for 2013 for our named executive officers (or NEOs) consisting of our principal executive officers, our chief financial officer (or CFO), the next three highest paid executive officers employed as of December 31, 2013, and one former executive who served during 2013 and whose compensation would have qualified her as being among the next three highest paid executive officers:

- Gary B. Halverson, President & Chief Executive Officer. Mr. Halverson was elected President & Chief Operating Officer (or COO) and principal executive officer effective November 18, 2013. He was elected as our Chief Executive Officer (or CEO) effective February 13, 2014.
- Terrance M. Paradie, Executive Vice President & CFO.
- P. Kelly Tompkins, Executive Vice President, External Affairs & President, Global Commercial. Mr. Tompkins served as interim principal executive officer from October 21, 2013 until November 18, 2013.
- Donald J. Gallagher, former Executive Vice President & President, Global Commercial, through December 31, 2013, at which time he retired from Cliffs.
- Colin Williams, Senior Vice President, Asia Pacific Iron Ore. Mr. Williams' employment with Cliffs is expected to terminate on July 1, 2014.
- William Hart, former Senior Vice President & Chief Strategy and Marketing Officer. Mr. Hart's employment with Cliffs terminated on March 25, 2014.
- Joseph A. Carrabba, former Chairman, President & CEO. Mr. Carrabba served as principal executive officer until October 21, 2013.
- Laurie Brlas, former Executive Vice President & President, Global Operations. Ms. Brlas retired during 2013.

2013 Leadership Transitions

As noted above, we experienced several executive officer transitions during 2013.

- Effective July 9, 2013, Mr. Carrabba stepped down as Chairman of the Board but remained our President & CEO until he retired effective November 15, 2013. He was our principal executive officer until October 21, 2013.
- Ms. Brlas retired from her position as Executive Vice President & President, Global Operations effective July 31, 2013.
- During the transition period from October 21 until November 17, 2013, Mr. Tompkins served as the principal executive officer of Cliffs.
- On November 18, 2013, Mr. Halverson commenced serving as our President & COO and in a principal executive officer capacity. When he was hired, the Board's intent was for him to transition into the CEO role, and Mr. Halverson was elected as Cliffs' CEO on February 13, 2014.
- Mr. Gallagher, our former Executive Vice President & President, Global Commercial, retired from Cliffs after nearly 33 years of service on December 31, 2013.

As a result of these transitions, our Compensation Discussion and Analysis, or CD&A, and the related compensation tables and narratives cover eight NEOs for 2013 and analyze a variety of compensation decisions and actions, some of which were made specifically with regard to these transition events. Not all of the NEOs participated in or received all of the compensation elements described in this CD&A. For example, Mr. Halverson did not participate in some of the programs, such as the annual grant of performance shares and restricted share units, in which our other NEOs participated. When discussing each compensation element in this CD&A, we will explain the degree to which each NEO participated or was eligible for the program.

Mr. Halverson was offered the following compensation package for joining Cliffs in 2013: annual base salary of $950,000; annual incentive target of 120 percent of his base salary; and an annual long-term incentive target grant value of 375 percent of his base salary. This compensation package will be in effect for fiscal year 2014, with the exception of an increase in his annual incentive target to 140 percent of his base salary, which was approved by the Compensation Committee in May 2014. In 2013, Mr. Halverson received a prorated salary and annual incentive opportunity. Additionally in 2013, Mr. Halverson received a sign-on award of $2.0 million, consisting of cash and equity, as an incentive to join Cliffs and as a partial replacement for forfeited compensation with Mr. Halverson's former employer. This compensation package was developed in consultation with our independent compensation

consultant, Semler Brossy, in consideration of market best practices.

The following discussion focuses primarily on compensation actions taken and decisions made during our 2013 fiscal year, but also contains information regarding compensation actions taken and decisions made both before and after the fiscal year to the extent that such information enhances the understanding of our executive compensation program. It includes a description of the principles underlying our executive compensation policies and our most important executive compensation decisions for 2013, and provides analysis of these policies and decisions. The discussion gives context for and should be read together with the data presented in the compensation tables, the footnotes and the narratives to those tables and the related disclosures appearing elsewhere in this proxy statement.

Say-On-Pay Implications

At our Annual Meeting of Shareholders in May 2013, only 66.3 percent of our voting shareholders voted in favor of our annual advisory vote on our NEOs compensation, commonly referred to as “Say-on-Pay”. However, this was in sharp contrast to our May 2012 results, where our shareholders overwhelmingly approved our named executive compensation by voting 97.3 percent in favor. In response to the significantly lower year-over-year results, we identified that, along with others in 2013, two of our top shareholders voted against our Say-on-Pay proposal, which had a substantial impact on the decline in results. It should be noted that both of these top shareholders were also top shareholders in 2012, and both voted "FOR" our Say-on-Pay proposal in that year. Due to the fact we had not made substantial changes to our executive compensation program between 2012 and 2013, management and the Chairman of the Board of Directors engaged in direct face-to-face dialogue with these two shareholders. A key takeaway from the dialogue was that Cliffs' poor share price performance was a significant contributing factor to the shareholders' decisions to reverse their Say-on-Pay support in 2013.

Additionally, as part of a broader shareholder outreach program during early 2014, we reached out to our top 25 shareholders, which collectively held 59 percent of our shares outstanding at December 31, 2013. The purpose of this outreach was to gain insight into and perspective on our executive compensation programs and policies as disclosed in our proxy statement for our 2013 Annual Meeting. Ultimately, in January 2014, we conducted telephone discussions with the holders of approximately 15 percent of our shares outstanding. During these interactions, we also highlighted some of the year-over-year changes in our corporate governance and executive compensation practices. Additionally, we addressed Cliffs' 2013 share price performance and discussed the recent changes with our Board of Directors and executive management. The feedback from these meetings was shared with and considered by management and the Compensation Committee when the executive pay programs were reviewed for 2014.

Although the low Say-on-Pay vote result in 2013 was due mainly to our poor share price performance, in September 2013, the Compensation Committee implemented the following corporate governance enhancements to the executive compensation program because of its ongoing efforts to ensure a strong alignment between executive compensation and Cliffs' performance:

- The vesting of all future equity grants beginning in late 2013 are subject to "double-trigger" change in control equity acceleration, rather than "single-trigger" acceleration (in other words, double-trigger provides that, generally, equity is accelerated only following a qualifying termination of employment associated with a change in control or a failure to assume, continue or replace the awards in connection with the change in control).
- We increased the required share ownership multiple of base salary from 4.5x to 6x for the CEO and the COO under our Share Ownership Guidelines. We also increased the required share ownership multiple of base salary from 2.5x to 3x for senior and executive vice presidents under these same guidelines.

Executive Summary

2013 Business Results

Cliffs is an international mining and natural resources company. Cliffs is a major global iron ore producer and a significant producer of high- and low-volatile metallurgical coal. Driven by the core values of safety, social, environmental and capital stewardship, our associates across the globe endeavor to provide all stakeholders with operating and financial transparency. The key driver of our business is global demand for steelmaking raw materials in both emerging and developed economies, with China and the United States representing the two largest markets for Cliffs. In 2013, China produced approximately 779 million metric tons of crude steel, or approximately 49 percent of total global crude steel production, whereas the United States produced approximately 87 million metric tons of crude steel, or about 5 percent of total crude steel production. These figures represent an approximate 8 percent increase and a 2 percent decrease, respectively, in crude steel production when compared to 2012.

The global price of iron ore is influenced significantly by Chinese demand and worldwide supply of iron ore. The world market price that is utilized most commonly in our sales contracts is the Platts 62 percent Fe fines price. During 2013, the year-over-year average price increased 3.9 percent to an average price of $135 per metric ton. On the contrary, the quarterly benchmark Australia to Japan price for premium low-volatile hard coking coal decreased to a full-year average of $159 per metric ton in 2013 from $210 per metric ton in 2012. These pricing dynamics for iron ore and coal, along with slightly lower year-over-year global iron ore sales volumes resulted in a 3 percent decrease in

our full-year consolidated revenues to $5.7 billion. Full-year cost of goods sold decreased 3 percent to $4.5 billion driven by lower cost rates in our North America Coal segment and favorable foreign exchange rates over the prior year.

Throughout the year, we were focused on improving our financial position by reducing costs, increasing cash from operations and paying down long-term debt. Through these efforts, we decreased year-over-year selling, general & administrative, or SG&A, and exploration expenses by 32 percent, or $135 million, and more than doubled our cash from operations to $1.1 billion over the prior year. We ended the year with free cash flow (cash flow from operations less capital expenditures after dividends) of $157 million and $336 million of cash and cash equivalents on our balance sheet. See Annex C for a reconciliation to generally accepted accounting principles, or GAAP, financial measures from non-GAAP. During the year, we also paid down approximately $1 billion in long-term debt, primarily through the proceeds raised from an equity offering, cash from operations and proceeds collected from equipment loan financing.

For the full year, we recorded net income attributable to Cliffs' shareholders of $414 million, or $2.37 per diluted share, compared with a net loss of $899 million, or $6.32 per diluted share, in 2012. The full-year results for both 2013 and 2012 include special item charges related to certain asset and goodwill impairments. Excluding these special items, our full-year 2013 adjusted net income attributed to Cliffs' shareholders was $672 million, or $3.85 per diluted share, higher than full-year 2012's adjusted net income of $493 million, or $3.46 per diluted share. See Annex C for a reconciliation to GAAP of our non-GAAP financial measures.

Our market capitalization at December 31, 2013 was approximately $4 billion and our total shareholder return, or TSR, was negative 30.4 percent on a year-over-year basis. There were multiple factors contributing to our lower year-over-year share price, including a significant equity offering that enabled us to de-lever our balance sheet, uncertain future iron ore pricing, and a long-term decision on Bloom Lake mine's expansion project. The following chart compares the TSR (stock price increase plus dividends paid) on our common shares from December 31, 2009 through December 31, 2013 with (1) the TSR for the SPDR Metals and Mining Exchange Traded Fund (ETF), (2) the Dow Jones Industrial Average Index (DJIA) and (3) the S&P 500 Index. The graph assumes that the value of the investment in our common shares and each index was $100 on December 31, 2009 and that all dividends were reinvested. Implications related to TSR and our payout of performance shares are discussed in detail below.

Key Incentive Features of Our Compensation Program for 2013

Our historical compensation approach has been to reward for the achievement of explicit operational, financial and strategic objectives and to align compensation with performance and shareholder return. We generally maintained our compensation program and did not make significant changes in 2013. Our present approach to compensation allows for variability in annual incentive plan payouts based on absolute performance results in the short term, while also taking into account our relative stock price performance as compared to other metals and mining companies over the long term. Specifically:

- We measure Earnings Before Interest, Taxes, Depreciation and Amortization, or EBITDA, cost control and production volume as the performance metrics for the Executive Management Performance Incentive Plan, or EMPI Plan, and we do not adjust performance targets for any of our metrics for changes in the prices of our products. We also continued to measure strategic objectives in our EMPI Plan for 2013 as such non-financial goals are critical to our long-term business success. Additionally, we have included a minimum EBITDA qualifier in our plan, such that no bonus is payable under our EMPI Plan if our EBITDA is less than Cliffs' total annual dividends, including those on common shares and mandatory convertible preferred stock, and Cliffs' total annual interest expenses.
- For the long-term performance share plan, we continue to measure TSR performance on a relative basis against the SPDR Metals and Mining ETF, as we find that this is the most relevant metric for evaluating our success over a multi-year period. TSR remains the sole metric of our performance share plan.

Impact of Cliffs' Performance on 2013 Compensation

- Our EMPI Plan paid out on a formulaic basis at 102.2 percent of target for 2013 based on performance metrics set in early 2013 based on the following results:

-EBITDA results above target;
-Production volume achievement nearly at target for U.S. Iron Ore;
-Production volume achievement nearly at maximum for Asia Pacific Iron Ore;
-Production volume achievement at maximum for Pinnacle and Oak Grove Coal;
-Production volume achievement below threshold for Bloom Lake Iron Ore and Wabush Iron Ore;
-Below target cost control performance for U.S. Iron Ore;

- Nearly at target cost control performance for Asia Pacific Iron Ore;
- Maximum cost control performance for Pinnacle and Oak Grove Coal;
- Below target cost control performance for Logan County Coal;
- Below threshold cost control performance for Bloom Lake Iron Ore; and
- Strategic objectives evaluated slightly above target performance.

The 2013 payout compares to a payout of 60 percent for employees and a payout of zero for our executive leadership team in 2012.

• Performance shares for the 2011–2013 performance period did not pay out because:
- Our three-year TSR of negative 63 percent placed us below the 35th percentile of the peer group; and
- Cumulative free cash flow of $2.8 billion for the 2011–2013 performance period was below the threshold goal of $3.7 billion for the performance period.

These results demonstrate in practice our 2013 compensation objective of aligning our incentive plan outcomes with actual business results over the short term and share price over the long term. Our 2013 results for our EMPI Plan and performance shares are discussed in further detail on pages 45 and 47, respectively.

Relationship between Our Performance and CEO Compensation

The following chart illustrates the relationship between our principal executive officer's total target and realized compensation and two common measures of our financial performance – revenue and net income attributable to Cliffs' shareholders – for each of fiscal years 2011 through 2013. Target compensation consists of base salary, target annual incentives under the EMPI Plan and grant date fair values of equity awards (including performance shares and restricted share units) reported in the 2013 Summary Compensation Table. Realized compensation consists of base salary, actual annual incentive payment under the EMPI Plan and the value of performance shares and restricted share units that have vested in the last year of the performance period. Realized pay does not include the value delivered through severance payments following termination of service.

For this particular illustration, we only have included Mr. Carrabba, our principal executive officer for the majority of fiscal year 2013 and for the entirety of the previous two fiscal years. We have not included Messrs. Tompkins or Halverson, because each of them served only briefly as principal executive officer during fiscal year 2013. Since Mr. Tompkins' role was interim, his compensation was not designed to reflect the responsibilities of a principal executive officer and due to Mr. Halverson joining Cliffs in November 2013, he would not have received any compensation during fiscal years 2011 or 2012 and would have received very little in realized compensation during 2013.

While Mr. Carrabba's target compensation had been relatively consistent in recent years, with some fluctuation due to the grant date value of equity awards, his realized pay decreased. For fiscal year 2013, Mr. Carrabba's realized pay represented 83 percent of his target pay. This decline and differential was driven primarily by our share price performance, which ultimately resulted in a significant reduction in the value being delivered through restricted share unit vesting and the payout of performance shares. For example, performance shares for the 2011-2013 period paid out at zero for Mr. Carrabba (and all participants), compared to $1.3 million and $8.5 million in 2012 and 2011, respectively.

Other Key Policies and Practices

The Compensation Committee and Board have adopted the following key policies and practices over the past several years in response to evolving good governance practices in executive compensation and changes in our business and industry:

- Implementation of a policy, effective mid-September 2013, that the vesting of all future equity grants will be subject to "double-trigger" change in control equity acceleration, rather than "single-trigger" acceleration.
- An incentive compensation clawback policy applicable to our executive officers, was adopted by the Board in November 2012.
- Suspension of the performance-based contribution under the 401(k) Savings Plan beginning in fiscal year 2012 and continued in 2013.
- Suspension of an additional individual EMPI opportunity, which was equal to 10 percent of the individual's target EMPI opportunity. A similar program also was canceled for all salaried employees.
- Elimination of tax gross-ups on change in control payments related to excise taxes and cash paid in lieu of health and welfare benefits effective January 2012.
- Elimination of all industry service credits related to the supplemental retirement plan benefit for all future hires effective April 2012.
- Maintenance of a long-standing insider trading policy that prohibits executive officers from profiting from short- and long-term speculative swings in the value of our shares, including but not limited to short sales, put and call options, and hedging transactions.
- Maintenance of an insider trading policy that also prohibits any officer or director pledging Cliffs' securities.
- Retention of an independent compensation consultant to advise the Compensation Committee and keep it apprised of evolving market practices.
- Maintenance of Share Ownership Guidelines that require our officers and directors to own a certain dollar amount of our common shares.
- Held annual Say-on-Pay vote.
- Offering of minimal non-compensatory perquisites and benefits for our executive officers.
- Conduct annual compensation-related risk review.

Executive Compensation Philosophy and Core Principles

The Compensation Committee has designed our compensation structure to help attract, motivate, reward and retain high-performing executives. The goal is to align pay with Cliffs’ performance in the short term through variable cash compensation based on measures of financial performance and operational and strategic excellence, and over the long term through stock-based incentives. Our compensation philosophy is to place a significant portion of compensation at risk based on our performance, and increase this portion of compensation that is at risk as the responsibility level of the individual increases, consistent with market practices. We also seek to balance this performance focus with sufficient retention incentives, including a competitive fixed salary and the use of time-based restricted share units in our long-term incentive program.

Our guiding compensation principles for 2013 were as follows:

- Align incentive pay, both short and long term, with results delivered to shareholders.
- Design a simple and transparent incentive plan that focuses on absolute performance objectives tied to our business plan (including profitability-related and cost control objectives), relative performance objectives tied to market conditions (including relative total shareholder return, measured by share price appreciation plus dividends, if any), and performance against other key objectives tied to our business strategy (including safety, protection of our core assets and SG&A cost control).
- Provide competitive fixed compensation elements over the short term (base salary) and long term (equity and retirement benefits) to encourage long-term retention of our executives.
- Structure programs to align with corporate governance best practices (for example, elimination of gross-ups related to change in control payments, conversion to double-trigger change in control equity vesting for future equity awards, use of Share Ownership Guidelines and adoption of a clawback policy related to incentive compensation for our executive officers).

In general, 2013 pay opportunities for existing officers were intended to deliver target total pay opportunity between the median and 75th percentile of the market in which we compete for talent in order to enable us to attract and retain the caliber of executive talent needed to meet our business and strategic objectives.

Oversight of Executive Compensation

The Compensation Committee administers our executive compensation program, including compensation for our NEOs. The specific responsibilities of the Compensation Committee related to executive compensation include:

- Overseeing development and implementation of our compensation policies and programs for officers, including benefit, retirement and severance plans;

- Reviewing and approving elected officer compensation, including setting goals, evaluating performance and determining results with the independent members of the Board;
- Determining the compensation of our CEO (or other principal executive officer) and recommending the independent members of the Board ratify the compensation of our CEO (or other principal executive officer);
- Participating in succession planning for our CEO and other officers;
- Overseeing our equity-based employee incentive compensation plans, including actual plan design related to operating and strategic performance objectives, and approving grants;
- Overseeing regulatory compliance with respect to certain other compensation matters;
- Reviewing and approving any proposed severance agreements, retention plans or other agreements; and
- Retaining and managing its relationship with any external compensation consultant.

When making individual compensation decisions for executives, the Compensation Committee takes a number of factors into account, including market pay practices, the individual's performance, tenure and experience, overall Cliffs' performance, any retention considerations, the individual's historical compensation and internal fairness considerations. These factors are considered by the Compensation Committee in a subjective manner without any specific formula or weighting.

Decisions and approvals relating to the CEO's pay are made by the Compensation Committee in executive session, without management present, and are subject to ratification by the independent members of the Board. In assessing the CEO's pay, the Compensation Committee considers our performance, the CEO's contribution to that performance and other factors as described above in the same manner as for any other executive. The Compensation Committee approves the CEO's salary, annual incentive payout (consistent with the terms of the plan as described below) and long-term incentive grants each year subject to ratification by the independent directors. A similar process was used when making pay decisions for Mr. Halverson in 2013.

The Compensation Committee retains an independent executive compensation consultant who is engaged by and reports directly to the Compensation Committee. The compensation consultant attends portions of or all of the Compensation Committee meetings at the request of the Compensation Committee, frequently meets separately with the Compensation Committee with no members of management present and periodically works separately with the Compensation Committee Chairman between meetings.

For 2013, the Compensation Committee retained Semler Brossy as its compensation consultant. Semler Brossy was retained directly by the Compensation Committee and has helped the Compensation Committee develop an appropriate agenda for performing its duties. In this regard, Semler Brossy advised and assisted the Compensation Committee in:

- Designing executive compensation programs that align with our business and strategic objectives and shareholder interests;
- Identifying mining industry and general industry peers and identifying compensation surveys for the Compensation Committee to use to initially assess the appropriateness and competitiveness of our executive compensation programs;
- Identifying appropriate pay positioning strategies and pay levels in our executive compensation programs;
- Reviewing external trends and best practices in executive compensation;
- Identifying emerging good governance practices for the Compensation Committee's consideration; and
- Providing recommendations and guidance on pay packages for new executive officers as part of our leadership transition during 2013.

Additional services requested of Semler Brossy in 2013 included a review of the directors' compensation practices at the request of the Governance and Nominating Committee. The additional services provided did not exceed a cost of $120,000. Semler Brossy performs no other services for Cliffs or our management except as requested by the Compensation Committee, the Governance and Nominating Committee or the Audit Committee. The independence of Semler Brossy has been assessed by the Compensation Committee, as required under NYSE-listing rules. The Compensation Committee also has considered and assessed all relevant factors, including but not limited to those set forth in Rule 10C-1(b)(4)(i)-(vi) under the Exchange Act, that could rise to a potential conflict of interest with respect to Semler Brossy. Based on this review, we are not aware of any conflict of interest that has been raised by the work performed by Semler Brossy.

Market for Talent

The Compensation Committee conducts an annual review of market pay practices for executive officers with the assistance of its outside compensation adviser. Semler Brossy conducted a review of market pay practices in late 2012 for 2013 executive compensation decisions. This review was based on several published compensation surveys, including Hewitt Associates' and Towers Watson's executive compensation general industry surveys, as well as a detailed proxy analysis of executive compensation among our compensation peer group.

The compensation peer group was last evaluated in September 2012 and, at Semler Brossy's recommendation, the Compensation Committee approved the addition of Walter Energy, Inc. to the 2013 compensation peer group. The resulting compensation peer group used for the 2013 analysis included the following 20 companies:

Agrium Inc.	FMC Corporation
Airgas, Inc.	Goldcorp Inc.
Air Products and Chemicals, Inc.	Kinross Gold Corporation
Allegheny Technologies Incorporated	Mosaic Company (The)
Alpha Natural Resources, Inc.	Newmont Mining Corporation
Arch Coal, Inc.	Peabody Energy Corporation
Celanese Corporation	Praxair, Inc.
CF Industries Holdings, Inc.	Teck Resources Limited
CONSOL Energy Inc.	Vulcan Materials Company
Eastman Chemical Company	Walter Energy, Inc.

At the time of the September 2012 assessment, the peer group had median revenue and market capitalization of:

	Revenue – Trailing 4-Quarter Average ($ millions)	Revenue – 3-Year FYE Average ($ millions)	Market Value – 90-day Average ($ millions)	Market Value – 3-Year FYE Average ($ millions)
Peer Group Median	6,557	4,869	7,106	8,650
Cliffs	6,696	4,612	7,229	8,486

Source: S&P Research Insight

Pay Mix

Because our executive officers are in a position to directly influence our overall performance, a significant portion of their compensation is variable and aligned to our short- and long-term goals and shareholder interests. The variable pay components include the annual incentive (cash-based) and long-term incentive (equity-based) awards. Approximately 79 percent and 75 percent of Mr. Carrabba's and Mr. Halverson's total target compensation, respectively, and approximately 67 percent of the other NEOs' total target compensation is variable for 2013 as illustrated by the charts below. Additionally, half of our CEO's pay and more than one-third of the other NEOs' pay is delivered in the form of long-term compensation. The levels of performance-based variable pay are consistent with each executive's level of responsibility and impact and are consistent with market practices for fixed versus variable pay.

2013 Target Pay Mix*

	Base Salary	Annual Incentive	Performance Shares	Restricted Share Units
Halverson	25%	31%	—	44%(1)
Paradie	36%	29%	24%	11%
Tompkins	25%	20%	17%	38%(2)
Gallagher	33%	26%	28%	13%
Williams	38%	27%	24%	11%
Hart	43%	31%	18%	8%
Carrabba	21%	29%	34%	16%
Brlas	33%	26%	28%	13%

* Figures have been rounded and exclude any sign-on cash award, severance, retirement or superannuation payments made in 2013.

(1) Includes a new hire grant of restricted share units on November 18, 2013.

(2) Includes a retention grant of restricted share units on November 11, 2013.

* Mr. Tompkins' compensation is included in the Other NEO Compensation Mix

Principal Elements of our 2013 Compensation

During 2013, our executive compensation and benefits primarily consisted of the components listed in the following table, which provides a brief description of the principal elements of compensation, how performance factors into each type of compensation and the objectives served by each element. These elements are discussed in more detail in the sections that follow.

Fiscal Year 2013 Principal Compensation Elements

Element	Description	Performance Conditions	Primary Objectives
Base Salary	Fixed cash payment	Based on level of responsibility, experience and individual performance	Attraction and retention
EMPI Plan	Short-term incentive (annual cash payment)	Based on EBITDA, volume, cost control initiatives and strategic performance objectives	Motivate the achievement of short-term strategic and financial objectives
Performance Shares	Long-term incentive (equity-based payment)	Based on TSR relative to a peer group	Attraction, retention and promotion of long-term strategic and financial objectives and long-term share performance
Restricted Share Units	Long-term retention (equity-based payment)	Value related to share performance	Attraction, retention and promotion of long-term share performance
Retirement and Welfare Benefits	Health and welfare benefits, deferred compensation, 401(k) company contributions, superannuation, defined benefit pension participation and supplemental executive retirement plans	—	Attraction and long-term retention
Executive Perquisites	Financial services and company-paid parking	—	Avoid distraction from Cliffs' duties

Analysis of 2013 Compensation Decisions

Base Salary

The Compensation Committee considered the following factors when approving 2013 annual base salaries: market median levels of base pay; individual performance; tenure and experience; location (in the United States or Australia); retention considerations; the individual's historical compensation and internal fairness considerations. Increases in excess of 10 or more percent were primarily to move the executive's base salary closer to the market median and the 29 percent base salary increase for Mr. Paradie was to recognize his new role as CFO. Salaries approved for the NEOs in 2013 were as follows (Messrs. Williams' and Hart's base salary of AUD$470,000 and AUD$450,000, respectively, are converted at the 2013 average rate of AUD$1.00 : USD$0.9681):

	Effective April 1, 2013 ($)		Percent Change from 2012	
Halverson	950,000	*	N/A	
Paradie	440,000		29	%
Tompkins	495,000		10	%
Gallagher	575,000		12	%
Williams	455,007		5	%
Hart	435,645		5	%
Carrabba	1,100,000		10	%
Brlas	620,000		4	%

* Base salary effective November 18, 2013.

Annual Incentive Plan

Our annual EMPI Plan provides an opportunity for the senior executive officers, including the NEOs, to earn an annual cash incentive based on our financial performance relative to business plans and achievement against key corporate objectives. The objective of the EMPI Plan is to provide our executives with a competitive annual cash compensation opportunity while aligning actual pay results with Cliffs' short-term financial and strategic performance. Target annual incentives generally are positioned at or above market median; thus, when combined with salaries at median, target cash compensation opportunity generally is positioned at or above market median on average. The positioning of individual executives may vary from this general target based on the factors described above.

2013 EMPI Plan Award Opportunities. For each senior executive officer, the Compensation Committee established a threshold, target and maximum EMPI Plan opportunity at the beginning of 2013, expressed as a percentage of base salary. Actual incentive payouts below maximum funding levels were determined under a weighted scoring system, with the scoring of each performance metric expressed as a percentage of the maximum payout. The target level of overall performance would produce a payout equal to 50 percent of the total maximum award, and an overall scoring at the threshold level would produce a payout equal to 25 percent of the maximum award. Performance below threshold would result in a payout of zero for the relevant factor. There were no changes to 2013 award opportunities for the NEOs compared to prior years. Mr. Halverson's annual incentive award opportunity was established based primarily on a market study of competitive annual incentive levels conducted by our compensation consultant, Semler Brossy, and subjective internal fairness considerations.

EMPI Plan award opportunities (expressed as a percentage of base salary) approved for each of the NEOs on March 11, 2013 (or November 18, 2013 in the case of Mr. Halverson) were as follows:

	Threshold	Target	Maximum
Halverson	60%	120%	240%
Paradie	40%	80%	160%
Tompkins	40%	80%	160%
Gallagher	40%	80%	160%
Williams	35%	70%	140%
Hart	35%	70%	140%
Carrabba	70%	140%	280%
Brlas	40%	80%	160%

For each of these NEOs, with the exception of Messrs. Carrabba and Halverson, a second EMPI Plan opportunity was made available in addition to the above 2013 awards. These maximum opportunities are equal to 10 percent of each executive's target award and were designed to allow for the recognition of individual performance accomplishments during the year and are determined at the recommendation of the CEO (subject to approval of the Compensation Committee). During late 2013, the Compensation Committee determined that the original intent of the second EMPI award opportunity was no longer applicable to executives and eliminated this opportunity by electing full negative discretion. The 2013 EMPI Plan award opportunities, expressed as dollar amounts, are shown in the "2013 Grants of Plan-Based Awards" table on page 57.

2013 EMPI Plan Performance Measures. The EMPI Plan uses a "performance scorecard" with multiple performance standards that are related to our annual business plan and strategic priorities in order to determine final payouts under the EMPI Plan once the EMPI had funded at maximum.

The specific elements and their respective weightings for the underlying metrics are as follows:

EMPI Plan Performance Metrics	Weighting	Threshold	Target	Maximum
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	20.0%	$878.1 million	$1,130.1 million	$1,650.1 million
U.S. Iron Ore Production Volume	7.5%	18.3 million tons	20.3 million tons	22.4 million tons
Bloom Lake Iron Ore Production Volume	10.0%	6.1 million tons	6.8 million tons	6.9 million tons
Wabush Iron Ore Production Volume	2.5%	3.0 million tons	3.3 million tons	3.4 million tons
Asia Pacific Iron Ore Production Volume	5.0%	10.5 million tons	11.0 million tons	11.1 million tons
	5.0%	4.0 million tons	4.5 million tons	4.9 million tons

Pinnacle & Oak Grove Production Volume				
U.S. Iron Ore Cost Control	7.5 %	$69.27 / ton	$64.44 / ton	$61.22 / ton
Bloom Lake Iron Ore Cost Control	7.5 %	$86.65 CAD / ton	$80.60 CAD / ton	$76.57 CAD / ton
Asia Pacific Iron Ore Cost Control	5.0 %	$70.97 AUD / ton	$66.02 AUD / ton	$62.72 AUD / ton
Pinnacle & Oak Grove Coal Cost Control	2.5 %	$114.22 / ton	$103.84 / ton	$93.46 / ton
Logan County Coal Cost Control	2.5 %	$89.42 / ton	$77.76 / ton	$73.87 / ton
Corporate Strategic Objectives	25.0 %	See below	See below	See below
TOTAL	100.0 %			

As a top level performance metric, the EMPI Plan also includes a minimum EBITDA qualifier, such that no bonus was payable under our EMPI Plan if our EBITDA was less than Cliffs' total annual dividends, including those on common shares and mandatory convertible preferred stock,

and Cliffs' total annual interest expenses. Once the metric was satisfied, then final payout was guided by performance against the metrics described in the above table.

The specific performance goals for the EMPI Plan Corporate Strategic Objectives metric are not disclosed as management and the Compensation Committee believe that disclosing specific, non-quantitative corporate objectives for the year would affect us adversely by providing confidential information on business operations and forward-looking strategic plans to our customers and competitors that could result in substantial competitive harm. However, in 2013, the Corporate Strategic Objectives included areas such as operational excellence (safety, environmental), growth and diversification (including the Bloom Lake expansion and Ferrochrome), global execution (including talent management, labor strategy and diversity), balance sheet improvement and working capital allocation.

The Compensation Committee believes that the range of our EMPI financial, operating and strategic performance measures described above are appropriately difficult to attain and tested the performance history for those that were included in prior years' EMPI Plans. For example, Corporate Strategic Objectives have a weighted target of 25 percent and have paid out at 30 percent, 20 percent and 50 percent for 2013, 2012 and 2011, respectively.

2013 EMPI Plan Target Setting and 2013 Results. Actual payouts were guided based on the weighted aggregate attainment for each performance element using the assigned weightings described above. Performance targets for the financial objectives under the EMPI Plan were established at the beginning of 2013. Each performance element was assigned a minimum threshold level, a target level and a maximum level, representing attainment of 25 percent, 50 percent and 100 percent, respectively, of the EMPI Plan maximum award opportunity associated with that element. For performance below the minimum threshold performance requirement for each metric, funding would be zero percent for that factor. The maximum payout under the Corporate Strategic Objectives in the EMPI Plan is 25 percent of the total maximum bonus opportunity and required the attainment of at least one financial performance metric. The Compensation Committee was able to exercise negative discretion for the Corporate Strategic Objectives down to zero. The Compensation Committee approved performance targets and ranges for each of the financial performance measures, taking into consideration management's financial plans for the current year. Performance targets were approved for 2013 by the Compensation Committee in the first quarter of 2013.

For 2013, the performance results under the EMPI Plan produced an overall payout level equal to 102.2 percent of the target bonus opportunities for the NEOs, which amounts were funded based on performance in accordance with the EMPI Plan once the minimum EBITDA qualifier was achieved. The Compensation Committee arrived at this funding level by taking the following performance into consideration:

EMPI Plan Performance Results	Weighting		Target	Actual	Funding *	
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	20.0	%	$1,130.1 million	$1,292.9 million	26.2	%
U.S. Iron Ore Production Volume	7.5	%	20.3 million tons	20.3 million tons	7.4	%
Bloom Lake Iron Ore Production Volume	10.0	%	6.8 million tons	5.9 million tons	—	
Wabush Iron Ore Production Volume	2.5	%	3.3 million tons	2.8 million tons	—	
Asia Pacific Iron Ore Production Volume	5.0	%	11.0 million tons	11.1 million tons	10.0	%
Pinnacle & Oak Grove Production Volume	5.0	%	4.5 million tons	5.1 million tons	10.0	%
U.S. Iron Ore Cost Control	7.5	%	$64.44 / ton	$65.08 / ton	7.0	%
Bloom Lake Iron Ore Cost Control	7.5	%	$80.60 CAD / ton	$91.90 / ton	—	
Asia Pacific Iron Ore Cost Control	5.0	%	$66.02 AUD / ton	$66.07 / ton	5.0	%
Pinnacle & Oak Grove Coal Cost Control	2.5	%	$103.84 / ton	$85.06 / ton	5.0	%
Logan County Coal Cost Control	2.5	%	$77.76 / ton	$85.90 / ton	1.6	%
Corporate Strategic Objectives	25.0	%	See below	See below	30.0	%
TOTAL	100.0	%			102.2%	

* Figures have been rounded

For 2013, the 30 percent achievement for Corporate Strategic Objectives included the Compensation Committee's subjective assessment of achievement in areas such as operational excellence (safety, environmental), growth and diversification (including the Bloom Lake expansion and Ferrochrome), global execution (including talent

management, labor strategy and diversity), balance sheet improvement and working capital allocation. Total annual incentives for 2013 under the EMPI Plan were paid in the amounts set forth in the following table to the NEOs (Messrs. Williams' and Hart's annual incentives are converted at the 2013 average rate of AUD$1.00 : USD$0.9681; and while Mr. Carrabba and Ms. Brlas were no longer participating in the EMPI at the end of 2013, under the terms of their severance arrangements, each received an amount equal to a non-prorated payout of their potential earnings under the 2013 EMPI - $1,573,880 for Mr. Carrabba and $506,912 for Ms. Brlas):

	EMPI Plan ($)
Halverson (1)	139,162
Paradie	269,808
Tompkins	364,241
Gallagher	470,120
Williams	325,512
Hart	311,660
Carrabba	—
Brlas	—

(1) Amount was prorated for 2013.

Bonus Awards. Pursuant to the terms of Mr. Halverson’s employment offer, he was awarded a cash signing bonus of $600,000. The cash signing bonus was awarded as an incentive to join Cliffs as well as a partial replacement for forfeited compensation with Mr. Halverson's former employer. This award is part of the $2.0 million signing award discussed above. This amount was reviewed with our compensation consultant, Semler Brossy, and determined in consideration of market competitive practices.

Long-Term Incentive Program

The objectives of our long-term incentive program are to reward executives for sustained performance over multiple years, to enhance retention of executives by delaying the vesting of awards and, when compensation is realized, to align the long-term interests of our executives with those of our shareholders. For long-term incentive awards, we use performance shares and restricted share units to reward and retain executives. The performance shares and restricted share units are denominated and payable in Cliffs’ common shares in order to align the interests of our executives with our shareholders through direct ownership.

Each year, we establish a target long-term incentive award opportunity for each executive as a pre-determined percentage of base salary based on market competitive practices and internal equity considerations. In general, we seek to position target long-term incentive opportunities at or above the median of market for equivalent roles so that, in combination with salaries near median and at or above market annual incentive targets, total target compensation opportunity is between the median and 75th percentile of market on average. Actual positioning may vary from this target for individuals based on the factors described above. In addition, actual awards to each executive may vary from the target established for each job based on an assessment of individual performance in the case of executives other than the CEO and based on the Board’s assessment of the CEO performance in the case of grants made to the CEO or COO.

Administrative Process. Long-term incentive awards for executives are made annually on the date of the Compensation Committee’s approval or a later date as set by the Compensation Committee. Grants for new or newly promoted executives or for long-term retention are approved by the Compensation Committee at the next regularly scheduled Compensation Committee meeting following the hire or promotion date or in a special meeting, as needed. The grant date for new hire or promotion-related awards is the date of such approval or such later date as the Compensation Committee determines. We do not time grants to coordinate with the release of material non-public information. Beginning in 2013, all grants were awarded under the Cliffs Natural Resources Inc. 2012 Incentive Equity Plan, as amended, referred to as the 2012 Incentive Equity Plan. Prior to 2013, grants were awarded under the Amended and Restated Cliffs 2007 Incentive Equity Plan, referred to as the 2007 Incentive Equity Plan. In addition, all equity grants awarded under the 2012 Incentive Equity Plan are eligible for payment of accrued dividends at the end of the vesting or performance period, subject to the number of shares actually earned or vested.

Performance Shares. Performance shares were the primary vehicle used to deliver long-term incentives in 2013. Performance shares comprise 75 percent of the total target annual long-term incentive grant. A performance share granted in 2013 provides an opportunity to earn common shares based on our performance over a three-year period, with potential funding between zero and 200 percent of the target grant depending on the level of performance. We use performance shares to reward for shareholder results relative to industry conditions, taking into consideration TSR, as compared to other companies’ returns in the metals and mining industries (performance share peer companies identified below).

The calibration of the pay-for-performance relationship for 2013 grants is as follows and payout is interpolated for performance between threshold, target and maximum levels:

Performance Factor	Weight	Performance Level			
		Below Threshold	Threshold	Target	Maximum
Relative TSR	100%	Below 35th percentile	35th percentile	55th percentile	75th percentile
Payout		0%	50%	100%	200%

2013 – 2015 Performance Share Peer Group. The peer group used for the performance share awards is comprised of the constituent companies in the SPDR Metals and Mining ETF on the last day of trading of the three-year performance period, or December 31, 2015. As of December 31, 2013, the index included the following companies:

AK Steel Holding Corporation	CONSOL Energy Inc.	Reliance Steel & Aluminum Co.
Alcoa Inc.	Freeport-McMoRan Copper & Gold Inc.	Royal Gold, Inc.
Allegheny Technologies Incorporated	Globe Specialty Metals, Inc.	RTI International Metals, Inc.
Allied Nevada Gold Corp.	Haynes International, Inc.	Schnitzer Steel Industries Inc.
Alpha Natural Resources, Inc.	Hecla Mining Company	Solazyme Inc.
AMCOL International Corporation	Horsehead Holding Corp.	Steel Dynamics, Inc.
Arch Coal, Inc.	Kaiser Aluminum Corporation	Stillwater Mining Company
Carpenter Technology Corporation	Materion Corporation	Suncoke Energy, Inc.
Century Aluminum Company	McEwen Mining Inc.	United States Steel Corporation
Cloud Peak Energy Inc.	Molycorp, Inc.	U.S. Silica Holdings Inc.
Coeur d'Alene Mines Corporation	Newmont Mining Corporation	Walter Energy, Inc.
Commercial Metals Company	Nucor Corporation	Worthington Industries, Inc.
Compass Minerals International, Inc.	Peabody Energy Corporation	

The performance peer group focuses on steel, metals and commodity mineral mining companies that generally will be affected by the same long-term market conditions as those that affect us. The Compensation Committee evaluates this peer group for each new cycle of the performance share program based on recommendations made by its compensation consultant and makes adjustments as needed based on changes in the industry makeup and relevance of our specific peers. The performance peer group used to assess performance for performance share grants is not the same as the peer group used to assess the competitiveness of our compensation, because the latter is limited to those companies who are similar in revenue and industry. For measuring relative TSR performance, we utilized a broader peer group that was not determined solely by size or location.

Restricted Share Units. Restricted share units are earned based on continued employment and are retention-based awards. A restricted share unit award vests in full at the end of the same three-year period used for the performance shares, and is payable in our common shares. Restricted share units comprise 25 percent of each NEO's total annual long-term incentive grant.

2013 – 2015 Performance Share and Restricted Share Unit Grants. On March 11, 2013, the Compensation Committee approved performance share and restricted share unit awards under the 2012 Incentive Equity Plan for our executives, including our NEOs. The number of shares granted to each executive was determined by dividing the total grant values by the 60-day average closing price of our common shares ending on the date of grant ($33.33 for grants made in 2013). The use of the 60-day average price to calibrate the number of shares granted limits the potential to grant an unusually high or low number of shares due to an exceptionally low or high share price on the date of the grant. In order to calibrate the grant made to Messrs. Williams and Hart in 2013, a 60-day average foreign exchange rate ending on March 11, 2013 was used to convert their base salaries from Australian dollars to U.S. dollars (AUD$1.00 : USD$1.037). The following amounts of performance shares and restricted share units, valued at the closing fair market price of $23.83 per share on March 11, 2013, the date of grant, were awarded to our NEOs for the 2013 – 2015 performance period:

	Total Grant Value ($)	Target Performance Shares (#)	Restricted Share Units (#)
Halverson	N/A	N/A	N/A
Paradie	550,711	17,340	5,770
Tompkins	637,214	20,060	6,680
Gallagher	925,081	29,120	9,700
Williams	522,830	16,460	5,480
Hart	333,858	10,510	3,500

Carrabba	3,342,634	105,210	35,060
Brlas	997,524	31,400	10,460

Mr. Halverson did not receive performance shares and restricted share units for the 2013 – 2015 performance period consistent with his offer letter.

Other Equity Awards. Pursuant to the terms of Mr. Halverson's employment offer, he was awarded 59,940 restricted share units on November 18, 2013. The restricted share units vest 50 percent on the first anniversary and 50 percent on the second anniversary of the grant date. The number of restricted share units granted to Mr. Halverson was determined by dividing the total grant value of $1,400,000 by the 60-day average closing price of our common shares ending on the date of grant ($23.36). The restricted share units were awarded, along with the cash bonus described above, as an incentive to join Cliffs as well as a partial replacement for forfeited compensation with Mr. Halverson's former employer. This amount and the vesting terms were reviewed with our compensation consultant, Semler Brossy, and determined with consideration to market competitive practices.

Mr. Tompkins was awarded 21,600 restricted share units on November 11, 2013 for retention purposes and to incentivize Mr. Tompkins in his newly expanded role. The restricted share units vest 50 percent on the first anniversary and 50 percent on the second anniversary of the grant

date. The number of restricted share units granted to Mr. Tompkins was determined by dividing the total grant value of $495,000 by the 60-day average closing price of our common shares ending on the date of grant ($22.92).
Payouts Determined for 2011 – 2013 Long-Term Incentive Grant – Performance Shares. In February 2014, the Compensation Committee determined that for the three-year performance period ending on December 31, 2013, we achieved relative TSR performance (negative 63 percent) below threshold compared to our peer group and free cash flow performance ($2.8 billion) below the threshold value set in 2011. Accordingly, this performance did not yield a performance share payout for the 2011 – 2013 performance period and our NEOs did not receive any payout for these awards. The payout calculation for the 2011 – 2013 grants is as follows:

Performance Factor	Weight	Performance Level				
		Below Threshold	Threshold	Target	Maximum	Actual
Relative TSR	50%	Below 35th percentile	35th percentile	55th percentile	75th percentile	20th percentile
3-year Cumulative Free Cash Flow	50%	More than 50% below plan	50% below plan	At plan	75% above plan	Below threshold
Payout		0%	50%	100%	200%	0%

2009 and 2010 CEO Strategic Initiative Grants. On December 17, 2009 and March 8, 2010, the Compensation Committee approved special grants of performance-based shares at a maximum of 67,009 and 18,720, respectively, to Mr. Carrabba in order to further motivate and reward him to grow the value of our common shares through effective strategic initiatives. The 2009 and 2010 Strategic Initiative Grants were designed to provide an overall target grant value of $2,600,000, which was approximately equal to one times Mr. Carrabba’s annual long-term incentive award target at the time of grant.
By the terms established at the time of grant, the Strategic Initiative Grants became eligible for vesting when our market capitalization increased by 50 percent or more above the market capitalization as of the last 60 trading days of 2009. We refer to this condition as the “Performance Trigger”. The Performance Trigger was achieved in 2010. The grant was then eligible to pay out on December 31, 2013, subject to the Compensation Committee’s assessment of Mr. Carrabba’s performance over the performance period.
Effective July 17, 2013, the Company entered into a Severance Agreement and Release with Mr. Carrabba, which is discussed further on page 51. Pursuant to the terms of the agreement, Mr. Carrabba was entitled to a payout for the CEO Strategic Initiative Grants at the target amount of the award. In early 2014, the Compensation Committee approved a payout of 44,673 and 12,480 common shares as of December 31, 2013, equal to 100 percent of the respective original grants. The CEO Strategic Initiative award for Mr. Carrabba is disclosed under the “2013 Option Exercises and Stock Vested Table”.
2014 – 2016 Performance Share and Restricted Share Unit Grants. On February 10, 2014, the Compensation Committee approved performance share and restricted share unit grants under the 2012 Incentive Equity Plan for Cliffs’ executives, including our NEOs. The grants were determined using a 60-day average closing price of Cliffs’ common shares ending on February 10, 2014 of $23.67 per share and the grant targets described above. In order to calibrate the grant made to Messrs. Williams and Hart in 2014, a 60-day average foreign exchange rate ending on February 10, 2014 of AUD$1.00 : USD$0.8959 was used to convert their base salaries from Australian to U.S. dollars. The following amounts of performance shares and restricted share units valued at the closing fair market price of $20.58 per share on February 10, 2014, the date of grant, were granted to Cliffs’ NEOs for the 2014 – 2016 performance period under the 2012 Incentive Equity Plan:

	Total Grant Value ($)	Target Performance Shares (#)	Restricted Share Units (#)
Halverson	3,097,496	112,890	37,620
Paradie	768,457	28,010	9,330
Tompkins	791,301	28,840	9,610
Williams	472,311	17,220	5,730
Hart	452,966	16,510	5,500

The calibration of the pay-for-performance relationship for 2014 grants is the same as in prior years and the payout is interpolated for performance between threshold, target and maximum levels:

Performance Factor	Weight	Performance Level			
		Below Threshold	Threshold	Target	Maximum
Relative TSR	100%	Below 35th percentile	35th percentile	55th percentile	75th percentile
Payout		0%	50%	100%	200%

Retirement and Deferred Compensation Benefits

Defined Benefit Pension Plan. We maintain a defined benefit pension plan for all U.S.-based employees, which we refer to as the Pension Plan, and a Supplemental Executive Retirement Plan, which is referred to as the SERP, in which all of the NEOs (excluding Messrs. Williams and Hart because of their non-U.S. employee status) are eligible to participate following one year of service. The Compensation Committee believes that pension benefits are a typical component of total benefits for employees and executives at companies in industries similar to ours,

and that providing such benefits is important to delivering a competitive package to attract and retain employees. The objective of the SERP is to provide benefits above the statutory limits for qualified pension plans for highly paid executives. In April 2012, we determined that past service credits will no longer be provided for incoming executives. Additional detail is shown in the “2013 Pension Benefits“ table.

401(k) Savings Plan. Our U.S.-based executives are eligible to contribute up to 35 percent of their base salary under Cliffs’ 401(k) Savings Plan. Annual pre-tax contributions are limited by Internal Revenue Service regulations. For the 2013 calendar year, employee pre-tax contributions were limited to $17,500 ($23,000 for persons age 50 or older). We match 100 percent of employee contributions up to the first three percent, and 50 percent for the next two percent of contributions. We believe our 401(k) match is competitive and necessary to attract and retain executives.

Superannuation. Australian employees, including Messrs. Williams and Hart, are eligible, pursuant to a contractual obligation, for a company cash contribution known as superannuation of up to 15 percent of all cash payments made to the employee. Australian regulations require a superannuation contribution of at least 9.25 percent on base salary up to $183,000 per individual per year. Cliffs offers superannuation above the Australian regulatory requirement of 9.25 percent as this is common practice within the Australian mining industry and enables us to ensure we are market competitive and can attract and retain the best talent. For company superannuation contributions in excess of the minimum 9.25 percent superannuation contribution and/or the maximum superannuation guarantee, Australian employers can opt to receive a cash taxable allowance up to the 15 percent total superannuation compensation. This benefit for Messrs. Williams and Hart is disclosed below in the “2013 Summary Compensation Table” under “All Other Compensation” and described in footnotes (6)(c) and (d), respectively.

Deferred Compensation Plan. Under the 2012 Non-Qualified Deferred Compensation Plan, or 2012 NQDC Plan, the NEOs and other senior executives, excluding non-U.S. executives, are permitted to defer, on a pre-tax basis, up to 50 percent of their base salary and all or a portion of their annual incentive under the EMPI Plan. The Compensation Committee believes the opportunity to defer compensation is a competitive benefit that addresses the goal of attracting and retaining talent.

Deferrals earn interest at the Moody’s Corporate Average Bond Yield, which was approximately 4.2 percent for 2013, or any mutual investment option provided in the 401(k) Savings Plan for U.S. salaried employees. Additionally, the 2012 NQDC Plan provides for a supplemental matching contribution annually. The amount of the supplemental matching contribution is equal to what the NEO would have received in the 401(k) Savings Plan had contributions not reached the Internal Revenue Code limits in 2013.

Other Benefits. Our other benefits and perquisites for senior executives, including NEOs, are limited to company-paid parking, executive physicals, fitness facility reimbursement and personal financial services. The Compensation Committee believes that these benefits will prevent distraction from duties as an executive officer and encourage health and well-being for the executive leadership of Cliffs. Due to the location of our corporate offices, we provide company-paid parking to corporate employees in mid- to upper-level management positions and executive officers. These benefits are disclosed below in the “2013 Summary Compensation Table” under “All Other Compensation” and described in footnote (6).

Supplementary Compensation Policies

Cliffs uses several additional policies to ensure that the overall compensation structure is aligned with shareholder interests and is competitive with market practices. Specific policies include:

Share Ownership Guidelines. Our Board adopted Share Ownership Guidelines to ensure that senior executives, including NEOs, have a meaningful direct ownership stake in Cliffs and that the interests of executives thereby are aligned with our shareholders. The executives are required to own the dollar value of shares at least equal to the respective multiple times their base salary. To be compliant, the executives have five years from the time they are appointed to their officer position to satisfy the Share Ownership Guidelines. The guidelines are as follows:

	Multiple of Base Pay
CEO or COO (1)	6x
Executive / Senior Vice President (1)	3x
Vice President	1.5x

(1) Effective mid-September 2013, the ownership guidelines were increased from 4.5x to 6x of base salary for the CEO and COO and from 2.5x to 3x of base salary for executive and senior vice presidents.

Our Share Ownership Guidelines allow for an executive to sell a limited number of common shares prior to meeting the ownership guidelines so long as the executive officer can demonstrate a long-term plan in achieving the Share Ownership Guidelines. For grants made after January 1, 2007 under our 2007 Incentive Equity Plan or 2012 Incentive Equity Plan, executives only are permitted to sell up to 50 percent of their shares received (net of taxes) under the performance share program or the restricted share unit program unless the executive is in compliance with the Share Ownership Guidelines. An executive's direct ownership of shares, including restricted shares and restricted share units held in the 2005 Voluntary Non-Qualified Deferred Compensation Plan (or 2005 VNQDC Plan) count toward meeting the Share Ownership Guidelines. The Compensation Committee reviews at least annually compliance with the Share Ownership Guidelines. As of December 31, 2013, Mr. Tompkins was the only NEO who was in compliance with the newly revised Share Ownership Guidelines.

Change in Control Severance Agreements. Effective as of January 1, 2014, we entered into new change in control severance agreements with all of our currently employed NEOs except for Messrs. Williams and Hart as their employment agreements discussed below contain change in control provisions. The Compensation Committee believes that such agreements support the goals of attracting and retaining highly talented individuals by clarifying the terms of employment and reducing the risks to the executive in situations where the executive believes, for example, that we may engage in a merger, be acquired in a hostile tender offer or involved in a proxy contest. In addition, the Compensation Committee believes that such agreements align the interests of executives with the interests of our shareholders if a qualified offer is made to acquire Cliffs,

in that each of our NEOs would likely be aware of or involved in any such negotiation and it is to the benefit of our shareholders to have the executives negotiating in the shareholders' best interests without regard to the executive's personal financial interests. The level of benefits under these agreements was determined consistent with market practices at the time that the agreements were established. The agreements generally provide for the following change in control provisions (see accompanying narrative below for more details):

- For grants made prior to mid-September 2013, automatic vesting of unvested equity incentives upon a change in control; however, beginning in mid-September 2013, equity grants that are replaced, assumed or continued after the change in control will vest only upon a qualifying termination of employment following the change in control;
- Depending on position, two or three times annual base salary and target annual incentive as severance upon termination following the change in control, and continuation of welfare benefits for two or three years, depending on position, under certain circumstances; and
- Non-compete, confidentiality and non-solicitation restrictions on executives who receive severance payments following the change in control.

The change in control severance agreements that were in effect through December 31, 2013 with our executives had eliminated gross-ups relating to excise taxes following a change in control and tax gross-ups relating to cash payments in lieu of certain health and welfare benefits. Additionally, industry service credits related to the supplemental retirement plan benefit provided upon termination after a change in control were eliminated.

We note that, as further described below under "Potential Payments Upon Termination or Change in Control," a change in control under the change in control severance agreements will occur if a majority of the members of our Board of Directors is replaced by directors whose appointment or election is not endorsed by a majority of our incumbent Board. At the 2014 Annual Meeting, if shareholders elect nominees that are not endorsed by our Board of Directors to fill at least six of the 11 seats on the Board, including Casablanca's slate of six nominees, then a change in control will be deemed to have occurred under the change in control severance agreements, and change in control severance payments and benefits will be owed to participants in those agreements if they experience a qualifying termination of employment after the 2014 Annual Meeting.

Employment Offer. Effective November 18, 2013, Mr. Halverson was offered employment with Cliffs. His employment offer package, which was approved by the Board of Directors and was reviewed by the compensation consultant and determined to be consistent with the market, included the following compensation:

- Base salary ($950,000);
- Annual incentive target (120 percent of base salary);
- Annual long-term incentive target grant value (375 percent of base salary);
- Sign-on award of $2.0 million, consisting of cash and equity, as an incentive to join Cliffs, as well as, a partial replacement for forfeited compensation with his former employer; and
- Certain customary perquisites including paid parking, executive financial services, participation in our retirement plans and health and welfare benefits offered to all of our salaried employees.

Employment Agreement - Williams. Effective February 24, 2011 and amended May 16, 2011, one of our Australian subsidiaries entered into an employment agreement with Mr. Williams, which was offered as a market competitive practice of employment in Australia and occurred prior to his appointment as an executive officer of Cliffs. Mr. Williams' employment agreement generally provides for the following:

- Superannuation contributions at 15 percent of base salary (which is inclusive of any minimum superannuation contribution requirements under relevant law);
- Eligibility to participate in Cliffs' incentive plans from time to time at the discretion of Cliffs;
- Following termination of employment effected by either party with three months' notice, payment in lieu of notice (for some or all of the notice period), calculated by reference to Mr. Williams' base salary;
- Following termination of employment for cause, no obligation to provide notice or payment in lieu of notice;
- Following termination of employment for redundancy, a termination payment equal to 12 months of total compensation (including a mutually agreed-upon allotment of short-term incentive pay and long-term incentive pay, in addition to accrued annual and long-service leave); and
- For termination following a change in control or Mr. Williams' voluntary termination within 90 days of a change in control, a termination payment equal to 24 months of total compensation.

We entered into a redundancy letter with Mr. Williams on April 2, 2014 pursuant to which Mr. Williams' employment is expected to terminate on July 1, 2014.

Employment Agreement - Hart. Effective February 22, 2011 and amended May 16, 2011, one of our Australian subsidiaries entered into an employment agreement with Mr. Hart, which was offered as a market competitive practice of employment in Australia and occurred prior to his appointment as an executive officer of Cliffs similar to Mr. Williams. Mr. Hart's employment agreement generally provides for the following:

- Superannuation contributions at 15 percent of base salary (which is inclusive of any minimum superannuation contribution requirements under relevant law);
- Eligibility to participate in Cliffs' incentive plans from time to time at the discretion of Cliffs;
- Following termination of employment effected by either party with three months' notice, payment in lieu of notice (for some or all of the notice period), calculated by reference to Mr. Hart’s base salary;
- Following termination of employment for cause, no obligation to provide notice or payment in lieu of notice;
- Following termination of employment for redundancy, a termination payment equal to 12 months of base salary (including a mutually agreed-upon allotment of short-term incentive pay and long-term incentive pay); and

- For termination following a change in control or Mr. Hart's voluntary termination within 90 days of a change in control, a termination payment equal to 24 months of total compensation.

We entered into a letter agreement with Mr. Hart on October 10, 2013 that sets forth additional terms regarding his assignment in Cleveland, Ohio. When he became a U.S.-based employee, Mr. Hart became eligible for Cliffs' severance guidelines for U.S.-based executive officers, which entitles him to receive 18 months of his base salary and annual bonus.

Mr. Hart's employment with Cliffs terminated on March 25, 2014, and Mr. Hart and Cliffs are parties to a severance agreement and release, the details of which are discussed below under "Potential Payments Upon Termination or Change in Control."

Severance Agreement and Release - Gallagher. Mr. Gallagher retired from Cliffs effective December 31, 2013. He received the following separation payments in exchange for his general release of claims and non-solicitation, non-complete, non-disclosure and non-disparagement undertakings:

- An amount equal to 24 months of base pay ($1,150,000);
- An amount equal to two times target bonus under the EMPI Plan ($920,000); and
- Non pro rata payout of outstanding long-term incentives, subject to meeting performance criteria.

Please see footnote (6)(b) of the “2013 Summary Compensation Table” for more information regarding Mr. Gallagher’s separation-related payments, benefits and arrangements, including assumptions used in estimating these amounts.

Severance Agreement and Release - Carrabba. Mr. Carrabba retired from Cliffs effective November 15, 2013. He received the following separation payments in exchange for his general release of claims and non-solicitation, non-disclosure and non-disparagement undertakings:

- An amount equal to 24 months of base pay ($2,200,000);
- An amount equal to two times target bonus under the EMPI Plan ($3,080,000);
- Payment of base salary through December 31, 2013 ($137,500);
- Accrued but unused vacation ($42,308);
- An amount equal to a payment under the EMPI Plan ($1,573,880) for the 2013 plan year based on performance as discussed above, which amount was not prorated;
- Payout for the CEO Strategic Initiative Grants at the target amount of the awards;
- Payout of outstanding long-term incentives, non pro rata for the 2011-2013 performance period and pro rata for the 2012-2014 and 2013-2015 performance periods, subject to meeting performance criteria;
- Continued medical coverage until age 65 for Mr. Carrabba and his eligible dependents ($52,933); and
- Payment of legal fees related to the Severance Agreement and Release ($14,500).

Please see footnote (6)(e) of the “2013 Summary Compensation Table” for more information regarding Mr. Carrabba’s separation-related payments, benefits and arrangements, including assumptions used in estimating these amounts.

Severance Agreement and Release - Brlas. Ms. Brlas retired from Cliffs effective July 31, 2013. She received the following payments in exchange for her general release of claims and non-solicitation, non-disclosure and non-disparagement undertakings:

- An amount equal to 24 months of base pay ($1,240,000);
- An amount equal to two times target bonus under the EMPI Plan ($992,000);
- Accrued but unused vacation ($71,540);
- Pro rata payout of outstanding long-term incentives, subject to meeting performance criteria;
- An amount equal to a payment under the EMPI Plan ($506,912) for the 2013 plan year, which amount was not prorated; and
- Continued medical coverage for two years from the date of termination for Ms. Brlas and her eligible dependents ($1,934). Ms. Brlas obtained medical coverage outside of Cliffs after she retired and is no longer is eligible for Cliffs' medical coverage.

Please see footnote (6)(f) of the “2013 Summary Compensation Table” for more information regarding Ms. Brlas’ separation-related payments, benefits and arrangements, including assumptions used in estimating these amounts.

Except for the change in control agreements, Australian employment agreements and severance agreements described above, we have no other outstanding employment-related agreements with Cliffs' executives.

Certain Material Tax and Accounting Implications. Section 162(m) of the Code generally disallows a federal income tax deduction to public companies for compensation in excess of $1 million paid to the CEO and to each of the three other most highly compensated executive officers (other than the CFO) in any taxable year. The aggregate combination of salary, distributions from the 2005 VNQDC Plan or the 2012 NQDC Plan, payout from the EMPI Plan, the issuance of common shares from the 2007 Incentive Equity Plan or the 2012 Incentive Equity Plan, vesting of restricted shares and restricted share units and related dividends or dividend equivalents on restricted shares or restricted share units has caused, with respect to 2013, the $1 million limit to be exceeded with respect to certain of the NEOs, and is expected to cause the $1 million limit to be exceeded in subsequent years with respect to one or more of the NEOs. “Qualified performance-based compensation” under Section 162(m) of the Code generally is excluded from this limitation. In 2012, our shareholders approved the 2012 EMPI Plan and the 2012 Incentive Equity Plan, which replaced the respective predecessor plans. The 2012 EMPI Plan is designed to permit us to grant incentive awards, and the 2012 Incentive Equity Plan is structured to permit us to grant certain equity-based awards, that may qualify as “qualified performance-based compensation” for purposes of Section 162(m) of the Code. However, some grants of equity-based awards under the 2012 Incentive Equity Plan and some awards under the 2012 EMPI Plan may not qualify as “qualified performance-based compensation” for purposes of Section 162(m) of the Code under

certain circumstances. Although the Compensation Committee may take action intended to limit the impact of Section 162(m) of the Code, it also believes that the tax deduction is only one of several relevant considerations in setting compensation. The Compensation Committee believes that the tax deduction limitation should not be permitted to compromise our ability to design and maintain executive compensation arrangements that will attract and retain the executive talent to compete successfully. Accordingly, achieving the desired flexibility in the design and delivery of compensation may result in compensation that in certain cases is not deductible for federal income tax purposes, and it is possible that awards intended to qualify for Section 162(m) may not so qualify if all requirements for the "qualified performance-based compensation" exemption are not met.

COMPENSATION COMMITTEE REPORT

The following report has been submitted by the Compensation and Organization Committee of the Board of Directors:
The Compensation and Organization Committee of the Board of Directors has reviewed and discussed the Company’s Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation and Organization Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the definitive proxy statement on Schedule 14A for Cliffs’ 2014 Annual Meeting or in Cliffs’ Annual Report on Form 10-K for the fiscal year ended December 31, 2013, each as filed with the Securities and Exchange Commission.
This report is furnished on behalf of the Compensation and Organization Committee of the Board of Directors.
T. W. Sullivan, Chair
B. J. Eldridge
M. E. Gaumond
J. K. Henry

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the individuals who served as members of the Compensation Committee in 2013 were or have been an officer or employee of ours or engaged in transactions with us (other than in his or her capacity as director).
None of our executive officers serves as a director or member of the compensation committee of another organization whose executive officers serve as a member of either our Board or our Compensation Committee.

COMPENSATION-RELATED RISK ASSESSMENT

In 2013, a team led by our Chief Risk Officer and our Chief Human Resources Officer reviewed existing policies and plan design features within the framework of employee compensation plans in which employees (including the NEOs) participate in order to identify whether these arrangements had any design features that might encourage unnecessary and excessive risk taking that would have a material adverse effect on Cliffs. The review team analyzed a series of risk factors and concluded the risk mitigation features in our compensation policies and plans, including pay mix (variable versus fixed and short-term versus long-term), multi-year performance periods, incentive compensation clawbacks and Share Ownership Guidelines, provide adequate safeguards to either prevent or discourage excessive risk taking. The review team did not identify any risk within the framework of our compensation policies and plans for our NEOs and our employees generally that are, either individually or in the aggregate, reasonably likely to have a material adverse effect on Cliffs. The Compensation Committee received a report summarizing the work of the review team and concurs with this conclusion.

EXECUTIVE COMPENSATION
EXECUTIVE COMPENSATION TABLES
2013 Summary Compensation Table
The following table sets forth the compensation earned by the NEOs for services rendered to Cliffs and our subsidiaries for the fiscal years ended December 31, 2013, 2012 and 2011 (as applicable).

Name and Principal Position (a)	Year (b)	Salary ($) (1) (2) (c)	Bonus ($) (1) (d)	Stock Awards ($) (3) (e)	Non-Equity Incentive Plan Compensation ($) (1) (4) (f)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($) (5) (g)	All Other Compensation ($) (6) (h)	Total ($) (i)
Gary B. Halverson (7) President & CEO	2013	118,750	600,000	1,648,350 (8)	139,162	—	32,883	2,539,145
Terrance M. Paradie (9) EVP & CFO	2013	415,000	—	432,452	269,808	68	39,326	1,156,654
	2012	311,250	—	406,835	—	61,397	116,654 (10)	896,136
P. Kelly Tompkins (11) EVP, External Affairs & President, Global Commercial	2013	484,125	—	1,091,597 (12)	364,241	5,738	39,566	1,985,267
	2012	446,125	—	1,060,147	—	103,957	23,100	1,633,329
	2011	425,500	—	772,169	511,116	78,117	41,367	1,828,269
Donald J. Gallagher Former EVP & President, Global Commercial	2013	559,350	—	726,482	470,120	2,279	2,122,899	3,881,130
	2012	506,300	—	1,175,325	—	283,581	32,983	1,998,189
	2011	486,167	—	932,507	556,338	416,628	21,537	2,413,177
Colin Williams (13) SVP, Asia Pacific Iron Ore	2013	449,924	—	410,573	325,512	—	127,253	1,313,262
William Hart (14) Former SVP & Chief Strategy and Marketing Officer	2013	430,320	—	262,180	311,660	—	163,885	1,168,045
Joseph A. Carrabba (15) Former Chairman, President & CEO	2013	937,500	—	2,625,102	—	11,384	7,170,676	10,744,662
	2012	1,000,000	—	4,640,070	—	474,812	52,731	6,167,613
	2011	955,500	—	3,104,793	1,880,410	446,046	50,430	6,437,179
	2013	355,917	—	783,376	—	1,918	2,842,032	3,983,243

Laurie Brlas (16) Former EVP & President, Global Operations	2012	579,750	—	1,434,317	—	136,338	36,356	2,186,761
	2011	516,000	—	1,009,278	630,118	110,867	33,820	2,300,083

(1) 2013 amounts in columns (c), (d) and (f) reflect the salary, bonus and non-equity incentive plan compensation of each NEO, respectively, before pre-tax reductions for contributions to the 401(k) Savings Plan, the 2012 NQDC Plan and our benefit plans.

(2) The 2013 salary of the NEOs include their base salary before the employees' contribution to the 401(k) Savings Plan. Each NEO, with the exception of Mr. Halverson, received a salary increase effective April 1, 2013.

The following table summarizes salary contributions for the 401(k) Savings Plan, including after-tax contributions for executives in 2013:

	401(k) Contribution ($)	Catch-Up Contribution ($)	Total ($)
Halverson	—	—	—
Paradie	14,025	—	14,025
Tompkins	17,500	—	17,500
Gallagher	17,500	750	18,250
Williams (a)	N/A	N/A	N/A
Hart (a)	N/A	N/A	N/A
Carrabba	17,500	—	17,500
Brlas	17,500	5,500	23,000

(a) Messrs. Williams and Hart are not eligible to participate due to their non-U.S. status.

(3) 2013 amounts in column (e) reflect the aggregate grant date fair value computed in accordance with FASB ASC 718 for awards of performance shares at target and restricted share units granted during 2013. For performance shares granted during 2013, the amounts reported are based on the probable outcome as of the grant date. For additional information, refer to Item 8, Note 14 in our Annual Report on Form 10 K for the year ended December 31, 2013. These types of awards are discussed in further detail in “Compensation Discussion and Analysis - Analysis of 2013 Compensation Decisions”, under the sub-heading “2013 – 2015 Performance Share and Restricted Share Unit Grants”.

See the “2013 Grants of Plan-Based Awards” table for more detail on the awards of performance shares and restricted share units.

The fair values for the performance shares on March 11, 2013, assuming a maximum payout of 200 percent and using a grant date fair value computed in accordance with FASB ASC 718 of $17.01 per share were (excludes the FASB ASC 718 value of restricted share units):

	Maximum Fair Value of 2013-2015 Performance Shares ($)
Halverson	—
Paradie	589,907
Tompkins	682,441
Gallagher	990,662
Williams	559,969
Hart	357,550
Carrabba	3,579,244
Brlas	1,068,228

(4) The 2013 amounts in column (f) reflect the incentive awards earned in 2013 under the EMPI Plan, which is discussed in further detail in “Compensation Discussion and Analysis - Analysis of 2013 Compensation” under the sub-heading “Annual Incentive Plan.” The Cliffs' performance-based contribution under the 401(k) Savings Plan was suspended in 2012 so no NEO received a contribution. Amounts paid to Mr. Carrabba and Ms. Brlas related to their incentive awards under the 2013 EMPI Plan are detailed under "All Other Compensation" due to their nature as severance compensation.

(5) The 2013 amounts in column (g) reflect the actuarial increase in the present value of the NEOs' benefits under the Pension Plan and the SERP, both of which are discussed in “Compensation Discussion and Analysis - Retirement and Deferred Compensation Benefits” under the sub-heading “Defined Benefit Pension Plan" determined using interest rate and mortality assumptions consistent with those used in our financial statements and may include amounts in which the NEO is not fully vested. The present value of accumulated pension benefits for most of the executives has decreased from December 31, 2012 to December 31, 2013 primarily as a result of the significant increase in discount rates (2012 discount rate of 3.70 percent and 2013 discount rate of 4.57 percent) used to calculate plan obligations (which was a function of increasing corporate bond yields during the past year). Under reporting requirements, to the extent that the present value change for the NEO was negative, such negative change in benefits is not reflected in this column. This column also includes amounts for above-market interest for the executives’ deferrals into the 2005 VNQDC Plan and 2012 NQDC Plan.

The following table summarizes changes in pension values and above-market earnings on deferred compensation in 2013:

	Present Value of Pension Accruals ($)	Above-Market Interest on Deferred Compensation ($)	Total ($)
Halverson	—	—	—
Paradie	(19,400)	68	(19,332)
Tompkins	5,500	238	5,738
Gallagher	(289,700)	2,279	(287,421)
Williams (a)	N/A	N/A	N/A
Hart (a)			